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# THE EFFECTIVENESS OF STATE TAX INCENTIVES FOR HISTORIC PRESERVATION

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Section 1.1: Introduction

Tax Incentives that are directed towards historic preservation on the state level vary in scope and effectiveness. Unlike the Federal Rehabilitation Tax Credit for depreciable properties that has received much attention and analysis, the state counterparts tend to be analyzed on a less frequent occurrence. This is despite the fact that many of the programs add owner-occupiers to the eligible list of participants, a striking difference between the federal and state programs.

This thesis will explore the effectiveness of the various state tax incentives for historic preservation by examining the state run programs. This will include determining what works and why with case studies to exemplify the findings. The states included in the analysis are: Connecticut, Maryland, Rhode Island, Arizona, Missouri and North Carolina. Section 2 explains the methodology for selecting these states, and includes a brief review of the material published on state incentives for historic preservation. Section 3 and its six subparts detail the selected states' programs and present case studies of the programs use. Section 4 provides an analysis of the selected state tax incentive programs' and the impact of these programs on historic preservation.

The state administered programs pertaining to historic preservation and the tax incentives they use to promote the rehabilitation of older buildings are variations of the Federal Rehabilitation Investment Tax Credit. Of the forty-three state programs that exist, the vast majority require that a project conform to the Secretary of Interior Standards for Rehabilitation to qualify for the credit. Many state programs are designed with the same requirements as the Federal initiative: i.e., requiring a minimum dollar amount invested in the property, reporting requirements and aforementioned rehabilitation standards.

The Federal Rehabilitation Investment Tax Credit is derived from the investment tax credits under § 38 of the 1954 Internal Revenue Code. The legislative history behind the federal tax credit reflects the evolutionary process of the broader preservation movement. This history creates a backdrop for offering such a lucrative incentive for retaining the historic structures of our built environment. The state incentives build upon the federal legislation and reflect the unique political environment of the state that enacts the legislation to promote historic preservation. Several states in this analysis attempted to bridge the gap between the pre 1986 Federal credit and the 5% decrease after the Tax Reform Act with limited success. Every state that provides an explicit incentive for historic preservation as opposed to those that provide incentives for construction in general does so following the Federal model with the Secretary of Interior's Standards for Rehabilitation. These standards for tax purposes look to the Internal Revenue Code's definitions of qualifying costs and substantial rehabilitation. Although there are minor variations from state to state, where they typically deviate in a pronounced way from the Federal model is the inclusion of home owners as eligible for the credit. 67% of the states that offer preservation tax incentives include owner-occupiers for property tax abatements and state income tax credits, something the United States Congress has not yet provided.

Those states that have provided a sizeable, streamlined commercial rehabilitation tax credit have added to the success of the federal program. The Federal program remains the most effective due to the nationwide availability of selling the credits. The states, however take the lead on providing cost relief for owner occupiers of historic properties who are ineligible under the Federal program. The homeowner tax programs vary in

effectiveness due to factors such as poor marketing of the programs and restrictions on the use of the incentive to offset income.

Section 1.2: Definitions

Commonly used terms in this thesis and referenced literature such as, abatement, deduction, freeze, credit and adjusted basis stem from the finance and accounting world. This leads to confusion and misinterpretation for many who assess the requirements for rehabilitation tax credits.

Property *tax abatement* is a municipal ordinance or state law that reduces a property owner's tax obligation by lowering the value of the property as a percentage of the fair market value. Typically, in historic rehabilitations, the difference between the pre-rehabilitation property value and the post rehabilitation value are excluded from the property value calculation for a specified time period in many cases 5 years to 10 year.

A *property tax "freeze"* means that there is no increase in property tax from a base year for the entire length of the "freeze".

A *deduction* is a group of expenses that the Federal government has included in the tax code that offset income and thereby lowers the adjusted income on which taxes are calculated. A deduction's value is tied to the individual's or corporation's marginal tax rate. For example, a $100 deduction for an individual in the top tax bracket is approximately worth $60.40. Examples of these expenses are charitable contributions and mortgage interest payments. The rational behind deductions is that they encourage certain activities that the government has deemed worthy.

An *income tax credit* differs from the deduction in that it reduces an individual's or corporation's tax bill on a dollar for dollar basis. The credit is applied after all the calculations for the tax owed have been made, and then it is reduced by the credit

amount.

The *adjusted basis* of a building is the cost of the property minus the land value and is used in the Federal and some state programs as a minimum investment requirement. The "adjusted" basis includes increases to basis for previous capital improvements and decreases for depreciation. For example, if a property owner purchased a building for $1 million five years ago and now would like to rehabilitate the building the adjusted basis calculation would be as follows:

**Table 1**

| Simplified Adjusted Basis Calculation | | |
|---|---|---|
| Purchase Price | $ | 1,000,000 |
| Land Value | $ | 220,000 |
| Depreciable Basis | $ | 780,000.00 |
| 39 year straight line | $ | 20,000.00 |
| 5 years of depreciation | $ | 100,000.00 |
| Adjusted Basis | $ | 680,000.00 |

Section 1.3: Federal Rehabilitation Investment Tax Credit & Legislative History

> "Notwithstanding the progress which has been made with regard to historic preservation, most existing Federal programs and criteria for preservation are limited to ... properties determined to be nationally significant. Only a limited number of properties meet this standard. Many others, which are worthy of protection because of their historical, architectural, or cultural significance at the community, State or regional level, have little protection given them against the force of the wrecking ball. It is important that they be brought to light and that attention be focused on their significance ...Only thus can a meaningful balance be struck between preservation of these important elements of our heritage and new construction to meet the needs of our ever-growing communities and cities."[1]

The preceding quote by the U.S. House report on Historic Preservation in 1966 is still true today with regard to new construction vs. historic preservation. The National Register has evolved to become an expansive list that includes significant properties on the local and state level. It is primarily an honorary list with limited protection. The protection afforded to historic properties is a patchwork of administrative reviews, and only the rehabilitation tax credit program has made a positive difference in encouraging historic preservation. The legislative history of major preservation actions related to the tax incentive on the federal level is outlined below:

*Antiquities Act of 1906 (34 Stat. 225; 16 U.S.C. 431 et. Seq.)*

The Antiquities Act established the Presidential authority to designate national monuments for historic landmarks, structures, and objects, located on federally controlled lands. This act also provided criminal penalties ($500 maximum fine) for the removal or desecration of monuments or any object of antiquity on Federal lands.[2]

*Historic Sites Act of 1935 (49 Stat. 666; 16 U.S.C. 461 et. Seq.)*

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[1] House, *Committee on Interior and Insular Affairs*, 89th Congress, 1966, House Document 1916
[2] 16 U.S.C. 431 et. Seq

This act proclaimed that, "It is declared that it is a national policy to preserve for public use historic sites, buildings, and objects of national significance for the inspiration and benefit of the people of the United States".[3] This act directed the Secretary of Interior to establish various programs on historic preservation and created the Advisory Board on National Parks, Historic Sites, Buildings and Monuments. An example of the programs created by this act includes the Historic American Buildings Surveys (HABS). However, this act primarily provided technical assistance and data collection services; it did not impose any regulatory control over properties, nor did it offer any incentives for their preservation or reuse.

*The National Historic Preservation Act (89 Stat. 665; 16 U.S.C. 470 et. Seq.)*

The National Historic Preservation Act of 1966 (NHPA) and its subsequent amendments provided technical and financial assistance to State, Local and Native American governments for the preservation of America's buildings, sites and structures. This comprehensive Act is outlined below in the declaration policy:

**Sec. 470-1. Declaration of policy of the Federal Government**
It shall be the policy of the Federal Government, in cooperation with other nations and in partnership with the States, local governments, Indian tribes, and private organizations and individuals to -

- (1) use measures, including financial and technical assistance, to foster conditions under which our modern society and our prehistoric and historic resources can exist in productive harmony and fulfill the social, economic, and other requirements of present and future generations;

- (2) provide leadership in the preservation of the prehistoric and historic resources of the United States and of the international community of nations and in the administration of the national preservation program in partnership with States, Indian tribes, Native Hawaiians, and local governments;

- (3) administer federally owned, administered, or controlled prehistoric and historic resources in a spirit of stewardship for the inspiration and benefit of present and future generations;

- (4) contribute to the preservation of nonfederally owned

[3] 16 U.S.C. 461

prehistoric and historic resources and give maximum encouragement to organizations and individuals undertaking preservation by private means;

- (5) encourage the public and private preservation and utilization of all usable elements of the Nation's historic built environment; and
- (6) assist State and local governments, Indian tribes and Native Hawaiian organizations and the National Trust for Historic Preservation in the United States to expand and accelerate their historic preservation programs and activities. [4]

The critical elements of NHPA related to the investment tax credit include § 106 and § 110, portions of the Act that deal with Federal undertakings and the provision for commentary by the Advisory Council on Historic Preservation. These sections require that Federal agencies consider the consequences, if any, of an undertaking for which they are responsible on historic resources, through a formal review process. Federal monies and/or permits can be held up if this review does not occur.

The provisions of this Act that form the reference point of almost all state programs entail the Secretary of Interior's Standards for Rehabilitation (see Fig. 1). In addition to the Standards for Rehabilitation there are three additional sets of standards for Restoration, Preservation and Reconstruction. The Rehabilitation, standards provide the basis for compliance in rehabilitating a structure and thus qualifying for the tax credits provided for in the Internal Revenue Code.

All of the past legislative efforts dealt with Federal undertakings in regard to reviewing and preserving historic properties; none of these addressed private development efforts. The National Register of Historic Places is primarily honorary; there are no federal provisions that prevent a demolition or inappropriate alteration of a historic building by a private citizen using private funds. Section 106 provides a review phase for historic properties when Federal monies are involved, but it still does not ensure protection of the structure.

[4] 16 U.S.C. 470-1

**Fig. 1**. Secretary of Interior's Standards for Rehabilitation

(b) *Rehabilitation.*

(1) A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces and spatial relationships.

(2) The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces and spatial relationships that characterize a property will be avoided.

(3) Each property will be recognized as a physical record of its time, place and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.

(4) Changes to a property that have acquired historic significance in their own right will be retained and pre-served.

(5) Distinctive materials, features, finishes and construction techniques or examples of craftsmanship that characterize a property will be preserved.

(6) Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.

(7) Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.

(8) Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.

(9) New additions, exterior alterations or related new construction will not destroy historic materials, features and spatial relationships that characterize the property. The new work will be differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the integrity of the property and its environment.

(10) New additions and adjacent or related new construction will be under-taken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

The lack of Federal protection in the private sector was addressed in a market forces approach- the rehabilitation tax incentives. Table 2, below, provides an overview of the various Federal tax acts that provided or introduced tax incentives for historic preservation.

***The Introduction of Rehabilitation Tax Credits***

The 1976 Tax Reform Act (94 Stat. 455) created the first fiscal incentive for preservation. As noted above, the preceding legislation dealing with historic preservation

focused on education and review processes to promote and protect historic buildings and sites. These amendments to Title 26 of the US Code, commonly referred to as the Internal Revenue Code (IRC) created the fiscal incentive to preserve Certified Historic Structures. In order to qualify for the rehabilitation tax credits the structure must comply with the rehabilitation standards and be certified by the Secretary of Interior first, as a historic structure and second, that the work was preformed in accordance to the standards. 36 Code of Federal Regulations (CFR) Part 67 explains the procedures for complying with the IRC for certified historic buildings (Appendix A).

### *Tax Reform Act of 1986 and the Rehabilitation Tax Credits*

The major change to the credit, as noted in Table 2, was the elimination of portions of the rehabilitation credit in 1986 and the addition of restrictions on who can claim the credit. The credits today are based on these 1986 provisions with a few minor changes, most notably the exclusion of full time real estate professionals from the Passive Activity Rules (Appendix B)[5].

**Table 2**

| *Tax Act* | *Incentive* |
|---|---|
| ***Tax Reform Act of 1976*** (94 Stat. 455, Sec.2124) | • 60 month amortization of some expenditures related to the rehabilitation of a certified historic structures<br>• 2 Accelerated depreciation<br>• Denial of deduction for demolition costs associated with a certified historic structure |
| ***Revenue Act of 1978*** (95 Stat. 600 Sec. 315) | • 10% credit for certain expenditures on buildings that are 20 years old or more |
| ***Tax Treatment Extension Act 1980*** (96Stat. 541, Sec. 2, 6) | • Allowing conservation easements |
| ***Economic Recovery Tax Act of 1981*** (97 Stat. 34, Sec. 212) | • 15% rehabilitation credit for 30 year old building<br>• 20% rehabilitation credit for 40 year old building<br>• 25% rehabilitation credit for certified historic building |
| ***Tax Reform Act of 1986*** (99 Stat. 514 Sec.) | • 10% credit for non-historic commercial and non-residential buildings erected prior to 1936<br>• 20% credit for certified historic structures<br>• Income limitation for individuals with adjusted gross incomes in excess of $250,000<br>• Passive Activity Loss Limitations |

[5] 26 U.S.C. 469

The IRC codified under section 47 after 1990 [P.L. 101-508] explicitly details which structures and expenditures qualify for the rehabilitation tax credit. Certified historic and non-historic buildings qualify for the credit with different criteria established for each. Non-historic structures (not on or eligible for the National Register) qualify for the 10% tax credit if:

1. Built before 1936
2. Substantial rehabilitation exceeding the greater of $5,000 or the adjusted gross basis
3. The building must be depreciable, i.e. a commercial building
4. Residential rental houses do not qualify for the 10% credit but hotels would
5. Not listed on or eligible for the National Register of Historic Places
6. Must meet the External Walls Test:
   - At least 50% of existing external walls must remain in place as external walls
   - At least 75% of existing external walls must remain in place as external or internal walls
   - At least 75% of internal structural framework must remain in place

Certified Historic Structures qualify for the 20% tax credit if:

1. The rehabilitation is certified by Secretary of Interior on a certified historic structure (i.e. listed on the National Register, or local register of a of a Certified Local Government)
2. Substantial rehabilitation exceeding the greater of $5,000 or the adjusted gross basis
3. The building must be depreciable, i.e. a commercial building
4. Residential rental property does qualify

Qualifying rehabilitation expenditures include architectural and preservation consulting fees, legal and insurance expenses and the construction related expenses

directly pertaining to the rehabilitation.[6] Costs that are excluded from the credit include acquisition costs and new construction costs; if a portion of the building is devoted to tax exempt use, then that portion of the rehabilitation costs is excluded.

The credit can be recaptured if the owner does not retain the building for five years or the National Park Service (NPS) denies the certification. When the owner sells the building prior to the 5-year holding period the recapture rate is 20% per annum.[7] The credits can also be recaptured if the property is leased to a not-for profit, where the lease terms and any options exceed 20 years or in sale lease backs with a non-profit. Any rehabilitation that was certified by the NPS and then is altered violating the rehabilitation standards within the five year period is also subject to the recapture of credits.

Common to both the 10% and 20% credit as defined in the Tax Reform Act of 1986 are IRS provisions that limit who can take advantage of the credits. The introduction of the passive activity rule is the most significant, though it does not usually apply to corporations or full time real estate professionals. Passive activity refers to income, losses and credits from sources that the individual is not actively involved in managing or operating, such as limited real estate partnerships. Prior to the 1986 Act, they could use these losses or credits to offset tax liability from active income sources. Active income sources would include salary and dividends. "Taxpayers with income less than $100,000 may take up to $25,000 in losses annually from rental properties…this limit on losses is reduced for individuals with incomes between $100,000 and $150,000 and eliminated for

[6] Treasury Regulation 1.48-12 (c) (3) (ii)
[7] Treasury Regulation 1.48-12 (f) (3)

incomes over $150,000."[8] There is a passive credit exemption for individuals who invest in rehabilitation projects that allow them to use a portion of the credit each year until $25,000, the maximum allowed, is used up. This exemption is for a person with an adjusted gross income of less than $250,000.

This overview of the requirements for compliance with the Federal Tax Incentive for Historic Preservation is essential to evaluating the various state offerings. The reasons for this are twofold: first, the majority of the state programs explicitly refer to the federal requirements in order to comply with the state standards; second, in most cases the Federal incentive is more attractive than the state offerings because of the potential magnitude of the credit. Persons complying with the federal requirements are less likely to bother with a small state incentive if they have to go above and beyond the federal requirements. In this study all of the states refer explicitly to the Secretary of Interior's Standards for Rehabilitation and have an expenditure threshold that refers to the adjusted basis of the property. Understanding the complexity and the time it takes to comply with Federal tax incentive provides insight on the effectiveness of state run programs.

However, in addition the state programs consider many issues outside of historic preservation when drafting their tax incentive legislation. These range from the effects of gentrification of neighborhoods, to growth management, to real estate development. Several examples of such state goals are presented in the case studies that were researched for the focus states, as summarized in Section 2.

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[8] U.S. Department of the Interior, Federal Tax Incentives for Rehabilitating Historic Buildings, (Washington DC, 1999)

## Section 1.4: Literature Review

The literature written on the subject matter primarily consists of a listing of the various state programs available to developers or homeowners who are rehabilitating older structures. The recent publication by the National Trust for Historic Preservation provides a comprehensive listing of the various state incentives and contact persons for more information. The article in the January/February 2001 Forum News issue by Elizabeth G. Pianca and Harry J. Schwartz serves as a jumping off point for this thesis. The limited analysis they provide, in addition to the list of incentives, is the most recent literature on this topic. The article is focused around a list of the fifty states and what, if any, tax incentive they provide for historic preservation. Several states offer tax relief for older buildings or all new construction, including rehabilitation, which are listed, as well, because they can be applied to historic structures. The analysis that is provided with the list highlights those states that have successful programs and what the authors believe contributed to their success.

One aspect that the article touches on, the tax implications of real estate property tax abatement, is flawed. They conclude: "Since local real estate taxes are typically deductible for federal income tax purposes, under certain circumstances the use of a tax abatement or similar mechanism can reduce the amount of deduction on an individual's federal tax return or otherwise result in an increase in taxes paid to the federal government".[9] They are correct in the fact that a tax abatement may increase one's tax payment to the federal government, but they miss the real gem of the real estate tax

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[9] Elizabeth G. Pianca and Harry K. Schwartz, State Tax Incentives for Historic Preservation, (Washington
Footnote continued on the next page.

abatement. The 100% property tax abatement is worth 100 cents on every dollar of ababtement. The taxes taken as a deduction on the federal return is at most worth 39.6 cents on the dollar or the individual's marginal tax rate. In addition the vast majority of people do not itemize their returns, thus they could not take advantage of a deduction. In a general sense, the *Forum News* article touches on what elements create a successful state tax program. This thesis attempts to further expand on the analysis of the state programs in order to create a more complete understanding of success or failure. The criteria for determining what is effective are derived from the published literature on the topic and related fields of study. In addition, case studies or statistical information on use are presented in each state section to provide an illustrative or a quantitative perspective on the state programs. The multitudes of political and socioeconomic factors that contribute to the enactment of the various state tax incentives for historic preservation are briefly discussed in the literature review section. In several cases historic preservation is a positive byproduct of other social engineering goals, such as affordable housing in Connecticut.

Several articles have addressed the notion of property values and historic preservation. Superseding the concern over property restrictions is the impact on property values that galvanizes owners. The basis for many tax incentives is to offset the higher cost of rehabilitation due to restrictions imposed on the property because the structure either contributes to a historic district or is individually designated. The cost differential between the work required due to the historic nature of the property and similar work to a

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DC, 2001)

non-historic building has never been quantified in a general sense. This provides additional justification for tax incentives for rehabilitation because of the perceived unpredictable nature of costs associated with it. In fact this is true for all alterations of existing buildings because no one can be certain in advance of a project (when financing typically occurs) what hidden problems are behind the walls. Cost estimation for historic rehabilitation is imprecise because the work required, due to the Secretary of Interior's Standards for Rehabilitation, creates a unique situation for almost every building. It is generally believed that zoning restrictions that require owners to comply with historic rehabilitation standards add cost to a project.

This thesis does not attempt to quantify the cost premium for historic preservation, but assumes that there is one. Many states use this cost premium assumption to justify their tax credits. For example: "North Carolina preservation state tax credits have made rehabilitation of historic buildings in the Tar Heel state more attractive than ever before. In effect, the combined federal-state credits reduce the cost of a certified rehabilitation of an income-producing historic structure by 40%". [10]

The literature that has been written on the impact of historic designation and property values can only be conclusive to the area of study. The Sacramento study, *Historical Preservation Districts and Home Sale Prices: Evidence from the Sacramento Housing Market* by David E. Clark and William E. Harrin uses a hedonic price model to determine through regression analysis what factors affect property values. A hedonic price model treats housing as a composite commodity composed of many variables like acreage,

number of bedrooms, crime rate, and quality of the school district, to name a few. The price model produces a net positive impact in four of the six study areas. The increased cost of complying with the rules and regulations of the districts were offset by a 10.02% to 17.32% premium in housing prices within the district. This study also provided supporting evidence for a previous suggestion that the increase in house prices within the district were more than offset by the decrease in price from other areas in the city. In the Sacramento study, a 20% decrease in house values occurred on the edge of the historic districts.[11] Restrictions on what an owner can do to the property through the use of a historic preservation ordinance (or more commonly, in new gated communities) provide a stabilizing influence on prices within the area. In Houston, Texas, an area of the country that does not have the conventional zoning ordinances, lenders have required new developments to use restrictive covenants. This helps reduce the risk of adverse impacts on property values due to incompatible property use and/or treatment that is not prohibited due to the lack of zoning.[12] The fact that all are bound to the same limitations on their property prevents an owner from lowering the surrounding property values by altering the house in an inconsistent manner. The reciprocity of advantage, in that everyone is restricted equally, contributes to the observed empirical evidence that house prices are higher in the Sacramento Historic Districts.

Conversely, empirical evidence produced using a similar hedonic price model found

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[10] North Carolina Department of Cultural Resources Division of Archives and History, *North Carolina Historic Preservation State Tax Credits*, (North Carolina 2001)

[11] David E. Clark and William E. Herrin, *Historical Preservation Districts and Home Sale Prices: Evidence from the Sacramento Housing Market*, The Review of regional Studies (Summer 1997)

[12] Edward J. Blakely and Mary Gail Snyder, *Fortress America: Gated Communities in the United States*, (Washington, DC)

that in the Philadelphia study local (as opposed to national) designation reduced property values. "The results of our empirical analysis show that local designation is associated with a 25% price discount. The results imply that historic designation (as practiced in Philadelphia) is confiscatory..."[13] The authors note that this evidence is contrary to a previous study that showed an increase in property values in Federally designated historic districts in Philadelphia (Asabere & Huffman, 1994). The 26% increase in property values located within the Federal Historic District and the decline found within a locally designated district is partially explained by the authors with the fact that in Philadelphia the preservation ordinance is very restrictive with no incentives for property owners. In addition properties in Philadelphia are and can be in both the local and national district, hindering the analysis work. The authors imply that the properties located within the federally designated district have capitalized the Rehabilitation Tax Credit into the house price. The seller of the property may not utilize the credits but still can reap the benefits in terms of higher sale price by the mere fact of his property being listed on the National Register. However, the vast majority of properties that are on the National Register, in Philadelphia, are owner occupied, making them ineligible for the Federal Credits. Furthermore, these studies have not calculated the cost associated with complying with the Secretary of Interior's Standards for Rehabilitation and approval for the Federal credit. Depending on the stringency of the compliance requirements and how well enforced they are, the costs could vary widely.

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[13] Paul K. Asabere, Forrest E. Huffman and Seyed Mehdian, *The Adverse Impacts of Local Historic Designation: The Case of Small Apartment Buildings in Philadelphia,* Journal of Real Estate Finance and Economics (1994)

In addition to encouraging historic rehabilitation, the extensive body of literature on gentrification purportedly caused by historic preservation motivates states and organizations to enact policies and incentives that minimize this unintended consequence. Nearly sixty percent of the historic properties listed on the Nation Register of Historic Places are located within an area that has a twenty percent or greater poverty level.[14] The potential for the displacement of existing socioeconomic groups by encouraging development or rehabilitation of the historic buildings is a real possibility. Basic market fundamentals predict that buildings perceived as less than desirable, due to physical state or location, command a lower price for rental or lease rate. The federal tax credit, only available to income producing properties, requires substantial changes to their properties. Substantial is defined as the greater of $5000 or the adjusted basis. The adjusted basis is the market value of the property minus the cost of the land. The substantial investment that occurred in many of these properties necessitated higher rents and in some case raised the levels beyond the reach of many of the former residents. Numerous examples exist within preservation and, in general, where older city neighborhoods are in the process of change with a new, wealthier crowd bidding up rents, forcing out the former residents. Look to Manhattan or San Francisco for examples of this effect within historic districts and outside. Gentrification is nothing new, but what many have objected to is that the federal government may have encouraged it through the rehabilitation tax credit, an unintended outcome. As a response to this the Historic Homeowners Assistance Act (HR1172/S664) attempted to level the playing field by making a 20% income tax credit

[14] National Trust for Historic Preservation, *New Analysis Shows Homeowner Assistance Act would Help Homeowners of Varying Income,* (Washington, DC 2000)

available to homeowners. This credit would be available to every historic homeowner subject to meeting certain criteria like the Secretary of Interior's Standards for Rehabilitation. Although the measure was never enacted on the Federal level, thirteen states have enacted some form of income tax credit for homeowners.

Historic preservation has also been promoted as a tool to slow sprawl outside of the city center by encouraging development back in the city. Similar to gentrification, this "problem" permeates through the popular press as well as the academic journals. Sprawl and gentrification are the one-two punch of development that is chastised for ruining American cities. The mere mention of the words raises emotions, yet many can't define exactly what they are. State legislatures use these terms to justify the incentives for historic preservation without clearly defining the terms.

Historic preservation and the incentives used to promote it have moved beyond the initial premise of saving the historic treasures of the United States. Today there are various goals that coexist with the preservation of historic buildings and neighborhoods. These goals range from minimizing the impacts of gentrification often associated with historic preservation in the past to providing the catalyst for the redevelopment of an area. Many times these politically inspired, social engineering goals are at odds with each other, yet the projects have to mitigate the concerns. Many would argue that the preservation movement has grown up to realize that it does not exist in a vacuum. The tax incentives try to offset the real financial cost associated with rehabilitation and maintenance of historic properties and begin to address the multitude of goals and concerns.

Section 2.1: Overview of All State Tax Incentive Programs for Historic Preservation

Historic Preservation has changed in recent years to mitigate the stigma that it is an elitist endeavor that gentrifies properties. The goals of some recent state tax incentive programs, Connecticut for example, focus on providing housing for low-income individuals with the added benefit of preserving buildings. Simultaneously fulfilling two social goals enhances the political acceptance of this program. The broader social goals of revitalizing historic properties and/or providing affordable housing could have impacts on the effectiveness of the state programs; this thesis explores those impacts.

Table 3 below provides a listing of the states that offer incentives available to historic preservation. The residential listing in the table refers to owner occupied structures that are not depreciable. The states that offer a tax incentive in the "residential" category have expanded the number of properties that are eligible beyond the federal level which limits preservation tax credits to income-producing properties. This is an important distinction of federal verse state tax credits for rehabilitation, because the majority of properties on the national, state and local registers of historic places consists of owner occupied, residential housing. The states that offer these tax credits to residential properties have experienced a sustained interest and use of their rehabilitation tax credit programs.

Table 3

| State | State Income Tax Credit | | Property Tax Abatement | |
|---|---|---|---|---|
| | *Residential* | *Commercial* | *Residential* | *Commercial* |
| Alabama | | | | X |
| Alaska | | | X | X |
| Arizona | | | X | |
| Arkansas | | | | |
| California | | | X | X |
| Colorado | X | X | | |
| Connecticut | X | | | |
| Delaware | County Program | | County Program | |
| District of Columbia | | | X | X |
| Florida | | | X | X |
| Georgia | | | X | X |
| Hawaii | | | X | |
| Idaho | | | | |
| Illinois | | | X | |
| Indiana | | X | | |
| Iowa | | | X | X |
| Kansas | | | | |
| Kentucky | | | X | |
| Louisiana | | | X | X |
| Maine | | X | X | X |
| Maryland | X | X | X | X |
| Massachusetts | | | X | |
| Michigan | X | X | | |
| Minnesota | | | X | |
| Mississippi | | | X | X |
| Missouri | X | X | | |
| Montana | | | X | |
| Nebraska | | | | |
| Nevada | | | X | X |
| New Hampshire | | | | |
| New Jersey | | | X | |
| New Mexico | X | X | | |
| New York | | | X | X |
| North Carolina | X | X | X | X |
| North Dakota | | | X | X |
| Ohio | | | X | X |
| Oklahoma | | | | |
| Oregon | | | X | X |
| Pennsylvania | | | | |
| Rhode Island | X | | | |
| South Carolina | | | X | X |
| South Dakota | | | X | X |
| Tennessee | | | | |
| Texas | | | X | X |
| Utah | X | | | |
| Vermont | | | X | X |
| Virginia | X | X | X | X |
| Washington | | | X | X |
| West Virginia | X | X | | |
| Wisconsin | X | X | | |
| Wyoming | | | | |
| Totals: | 12 | 11 | 30 | 23 |

Source: National Trust for Historic Preservation, Forum News (Jan/Feb 2001)

The various forms of relief that states provide range from a $5,000 maintenance provision for qualifying structures to full property tax abatement, with every combination in between. The range of programs and incentives offered by the forty three states is broken down in the methodology portion (Section 2.2) into three primary divisions. These divisions focus on *who* is the credit available to; *what* form the credit takes; *where* in the rehabilitation process is it used. The variation after the primary divisions focuses on the monetary amount of the incentive. The vast majority of the states that provide tax incentives for historic preservation require that the rehabilitation meet the Secretary of Interior's standards, the same as the Federal incentive.

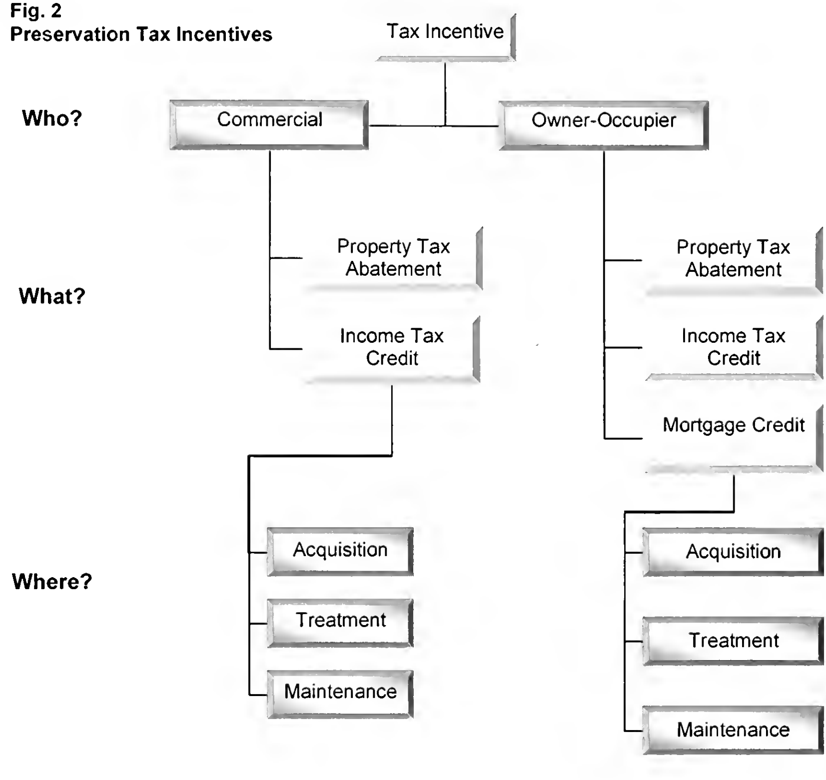
In terms of ease of use, the programs that follow or "piggy back" on the Federal program are easier to administer and comply with than the potentially onerous additional paperwork required by some states. The majority of the state programs with a commercial component use the Federal standards as the qualifier for the state incentives. A few states, like Arizona, have a maintenance provision that requires the applicants for the credit to sign a ten year contract that they will maintain the structure in compliance with SOI's rehabilitation standards or risk recapture of the tax credit, plus interest. Six states in the above table, Kentucky, Minnesota, New Jersey, North Dakota, Ohio, Virginia, as well as the District of Columbia, provide property or income tax relief in various forms, but usually for older structures; historic buildings can qualify. Although potentially beneficial to historic preservation efforts, the fact that in these six state plus the District of Columbia, any older structure past a pre-determined age can qualify complicates the evaluation process of this thesis; therefore, they were excluded from the in depth analysis.

Section 2.2: Methodology for State Selection

The selection of case study states for this thesis necessitated a comprehensive review of the different aspects of the various state tax incentive programs. There are broad delineations between types of incentives and the tools involved to provide the financial incentive. The variations in state programs tend to follow these broad delineations. The major split, similar to the Federal credit, is between commercial or depreciable properties and owner-occupied, residential properties. (Of course there are those states that provide for both or none at all.) The selection criterion focuses on states that represent each of these major groups in order to analyze whether or not historic preservation goals were achieved. The following chart depicts the various options that states have chosen and forms a basis for the analysis of the programs. It can be broken down into three primary divisions:

- *Who* is the incentive directed at?
- *What* form does the incentive take?
- *Where* in the rehabilitation process is the incentive used?

Fig. 2
Preservation Tax Incentives




The first division, *who* can qualify for the credit, splits the states into three groups: those that provide credits to commercial, depreciable properties and those that provide incentives to historic homeowners, and those like Maryland that provide incentives to both groups of property owners. This initial division is where the noticeable difference between the federal and state programs is observed, because the states expand the scope of historic preservation tax incentives to owner occupied structures. The second division, *what* form the incentive takes, depends initially on whether or not there is a state

income tax against which to offer a credit. Property tax abatements are offered by three quarters of the states that provide incentives for historic preservation. The third grouping of criteria pertains to *where* in the course of a projectthe financial incentive is available to the project or homeowner. The three basic breakouts are:

*Treatment*: financial incentives used to offset extensive rehabilitation costs greater than 20% of the adjusted basis.

*Acquisition*: primarily those credits that directly lower the cost of purchasing the property

*Maintenance*: provisions in the statutes that require a certain level of upkeep to avoid property tax abatement recapture provisions. In addition, those incentives that focus on less than a 20% minimum increase in property value associated with rehabilitation.

The end goals of Treatment, Acquisition and Maintenance create three fundamentally different approaches to preserving historic properties. The forty-three states that have some sort of incentive for historic preservation use the "tools" of Property Tax Abatement, Income Tax credit and Mortgage credits to promote their state's end goals. On the surface, the various state programs are similar in structure but, depending on who they cater to, the implementation may vary.

The states that were selected in order to narrow the focus of this thesis provide examples of the variation between state programs. Arizona and Rhode Island were singled out for their emphasis on maintenance provisions in the design of their programs. Connecticut and Maryland both provide mortgage credits in order to lower the acquisition costs of historic properties. North Carolina and Missouri provide large transferable and

sellable income tax credits that significantly lower the rehabilitation costs. Geographic location was also considered in order to evaluate any regional effects on the state tax incentive programs, as well as the number of years the program has been in existence. In addition, four of the states selected provide incentives to both residential and commercial property owners. This enabled a comparison within a state on how the tax credit program is differentiated between the two. Does the state change the requirements for eligibility? Are there lower credit percentages regarding commercial vs. residential?

Section 3.1: Arizona State Analysis

*Arizona Revised Statutes, §42-162, 227, 12101-12108*

The State of Arizona offers property tax reclassification to both owner occupiers and commercial property owners. The reclassification is almost equivalent to an abatement except that the rehabilitation improvements are assessed at a small percentage whereas an abatement would be 0%. The property tax abatement program does not include special assessments and school taxes; the owner still must pay the full tax on those assessments. Commercial properties receive a reclassification that reduces the increased property tax to almost zero on qualifying rehabilitation improvements. Improvements to existing income producing buildings, under Arizona law, are assessed at 25% of full cash value. The tax reclassification program assesses the rehabilitation improvements at 1% of full cash value. Eligible owner occupied property can obtain a reclassification up to a 50% reduction in property taxes, beginning the following year after acceptance into the program. Properties that qualify for both the commercial and residential, non-income producing must be National Register listed, either individually or contributing to a historic district. (Currently there are 1,150 listings on the National Register of Historic Places in Arizona many of which include multiple properties).

Arizona was included in this analysis due to the post-rehabilitation maintenance requirement associated with its program. Owner occupiers must sign a fifteen year agreement that they will maintain the property according to the Secretary of Interior's Standards for Rehabilitation. The commercial property owner is required to sign a ten year maintenance contract. These contracts do not interfere with the sale of the properties prior to the end of the fifteen or ten years. The new owner can utilize any remaining

eligibility in the program, as long as they agree to maintain the property in accordance with SOI's standards.

The tax abatement program is co-administered by the State Historic Preservation Office (SHPO) and the County Assessor's office. The SHPO determines eligibility of the property and certifies that the work and maintenance are adhering to the rehabilitation standards. The assessor's office determines the value of the improvements and reclassifies the property. The SHPO may require an annual form of compliance from all the properties in the program. Generally, this program only affects the visible exterior of the structure.

The recapture penalties for properties who are disqualified are significant. There is a 50% recapture of all property taxes that were abated, plus the addition of 50% of the current market value. If the owner does not notify the state that the property no longer qualifies,an additional 15% is levied against the property owner. These provisions are tough for a fifteen year compliance provision and could deter owners from utilizing the program.

The intent of this state legislation regarding the commercial abatement program is to encourage business in under-utilized historic properties to rehabilitate their properties, and to reduce the burden of rent increases attributed to a property tax increase. The state legislature must have assumed that all commercial leases are triple net, in which the lessee pays all utilities as well as insurance and a pro rata share of the property tax. It may be difficult to separate increases in rent attributed to other market conditions versus the increase in tax assessment. The commercial property tax reclassification program has rarely been used, according to the Arizona State Historic Preservation Office. A recent

success story for the residential program was the Windsor Square District that became listed on the National Register in December 2000. Sixty-five percent of the properties within the districtare eligible for the state property tax abatement program. This district was requested by the residents in order to benefit from the reclassification program.[15]

[15] Erika Finbraaten, Interview by author, (Arizona State Parks, July 2000)

Section 3.2: Connecticut State Analysis

*Connecticut General Statutes, §12-127a; Public Act 99-173 §34-37 (1999)*

The Connecticut program is an income tax credit that focuses on low to moderate income areas of the state. Twenty-nine areas designated by census tracts are eligible for the credit if the building is owner occupied and on the National or State Register of Historic Places. The Connecticut Historical Commission is in charge of the program and they issue a tax credit voucher once a Part 3 application is approved (Request for Certification of Completed Rehabilitation Work). Public Act 99-173 §34-37 defines "target area as: (A) A federally designated "qualified census tract" in which seventy per cent or more of the families have a median income of eighty per cent or less of the state-wide median family income, (B) a state designated and federally approved area of chronic economic distress, or (C) an urban and regional center as identified in the Connecticut Conservation and Development Policies Plan."[16] The Connecticut Conservation and Development Policies Plan define Urban/Regional centers as:

1. core areas containing commercial, industrial, transportation, specialized institutional services and facilities of inter-town significance and
2. contiguous built up residential areas with either:
    - a very high population density or
    - a high concentration of pre-1940 structures, multi-family structures, and households with median income below 80% of the state median household income

[16] State of Connecticut, Public Act 99-173 §34-37, (1999)

The incentive is a corporate tax credit and cannot be used to offset the personal income tax. The owners of building can assign the credit to a corporation that is providing financing for the rehabilitation work thus lowering the cost of the work. The carry forward period is four years if the credit amount cannot be fully used in the first year. The owners are required to live in one unit of up to a four unit home for five years. In addition, the owner must incur qualified rehabilitation cost of at least $25,000. The tax credit is 30% of the qualified interior and exterior costs up to $30,000 per unit of housing. Four units with the owner living in one is the maximum size of the dwellings that qualify with a potential credit of $120,000.

The state has allocated three million dollars a year for this program. If that fiscal year's credits have been exhausted, then the approved applicant will be put on a waiting list. The credit limitation of three million dollars theoretically means that only 25 projects per fiscal year could be approved if all of them used the maximum credit limit. Twenty-five is a meager number of qualifying buildings. In fact there are 125 vacant buildings in Hartford alone that would qualify for the tax credit.[17] The historic housing stock listed on the National Register for Connecticut is 1,388 individual properties and districts.

The application and approval process requires architectural drawings, photographs and a description of the proposed changes, technical specifications and an estimation of cost (Appendix C). The compliance portion is quite lengthy and requires similar expertise as qualifying for the Federal Tax Credit, yet the individuals targeted by the state program would not qualify for the federal credit.

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[17] LISC, Catalogue of Historic Homeownership Opportunities in Hartford, (January 2001)

Section 3.2.1: Connecticut: Credits in Use, Local Initiatives Support Corporation

The Local Initiatives Support Corporation (LISC) assists Community Development Corporations and other neighborhood groups in revitalizing distressed areas. LISC provides low interest loans (1% to 4%) to not for profit developers and can assist in project design. 27-29 Benton Street in Hartford, CT was the first completed project where LISC has utilized the Connecticut Historic Home Rehabilitation Tax Credit Program. Only a handful of projects have since been completed utilizing this new housing incentive. LISC provided the Corporation for Independent Living, the developer, with a low interest loan and also assisted with securing additional funds through the City of Hartford Appraisal Gap program. The Appraisal Gap program will provide up to $40,000 per building to bridge the "gap" between sale price and the cost of renovation.

For the Benton street project, LISC found the buyer of the tax credits, The Advest Group, Inc. Advest is paying the full face value of the credits but that will not occur until the Part 3 application is approved by the Connecticut Historical Commission and the tax credits will be assigned to Advest. The way in which the middleman, LISC, works around this is by lending against a letter of reservation for credits. This letter is issued by the Connecticut Historical Commission when they have approved the design of the project. The $60,000 that Advest will pay for the credits is available to the developer up front because the middleman, LISC, assumes all the historic tax credit risk. Advest is willing to pay 100% of the credit value

**Table 4**

**27-29 Benton Street**

| | | |
|---|---|---|
| Development Costs | $ | 260,000 |
| Sale Price per Unit | $ | 100,000 |
| Gap | $ | 60,000 |
| Tax Credit | $ | 60,000 |

because there is no lag time or risk. This differs from sales of the federal tax credits where many are sold at a 10% discount. When the credits are sold, Advest pays the Corporation for Independent Living (the developer) who in turn repays LISC the loan amount. The estimated costs for the Benton Street project are provided in table 3.

**Fig. 3 & 4.** 27-29 Benton Street Hartford, CT during rehabilitation. Photo by Andrea Pereira

**Fig. 5 & 6**. 27-29 Benton Street Hartford, CT after rehabilitation. Photo by Andrea Pereira

Section 3.3: Maryland State Analysis

*Code of Maryland, Art. 83B, §5-801(a-e) (1997)*

Maryland's Heritage Preservation Tax Credit Program is administered by the Maryland Historical Trust and provides a 25% income tax credit to qualified property owners. The credit has increased from 10% in 1997, the year of enactment, to the current 25% level effective since January 1, 1999. The program offers the credit to both owner occupiers and depreciable or income producing property owners. Similar to the federal program, the structure must be nationally or locally listed, and the rehabilitation must adhere to the Secretary of Interior's Standards for Rehabilitation. The tax incentive for depreciable property mirrors the federal program in many aspects, including requiring rehabilitation expenses that are the greater of either the adjusted basis or $5,000. Indeed the state application is identical to the Federal with the exception of the first page. The instructions state that if a property owner is applying for the Federal Tax Credits then only the first page of the Maryland application must be completed, and requires the

**Fig. 7.** State of Maryland, Tax Incentives for the Rehabilitation of older buildings

**Moderate Rehab by "Main Street" Property Owners**

The Parks have owned their Main Street storefront commercial property within a National Register Historic District for a decade. To take advantage of area revitalization, they decide to make facade improvements, upgrade the unused second floor to accommodate a rental apartment, and install a new HVAC system.

| | |
|---|---|
| **Rehab undertaken** | |
| Facade improvements | $20,000 |
| Apartment rehab | $50,000 |
| HVAC system | $30,000 |
| **Total** | **$100,000** |
| **Tax Savings** | |
| Federal income tax credit (20% of $100,000) | $20,000 |
| State income tax credit/refund (25% of $100,000) | $25,000 |
| Local property tax credit (10 years x $945) | $9,450 |
| **Total** | **$54,450** |
| **Net cost of improvements** | **$45,550** |

**Substantial Rehab in Three-Unit Dwelling**

Ms. Brown decides to buy a vacant three-unit building within the National Register Historic District. She will live in one apartment and rent the others. The building has been a community eyesore and has not been improved for many years. The substantial rehab required costs $210,000 ($70,000 per unit). Ms Brown uses state and local credits for all three units, but the federal credit is available only for the rehab costs associated with the two income-producing rental units.

| | |
|---|---|
| **Rehab undertaken** | |
| **Total** | **$210,000** |
| **Tax Savings** | |
| Federal income tax credit (20% of $140,000) | $28,000 |
| State income tax credit/refund (25% of $210,000) | $52,500 |
| Local property tax credit (10 years x $1,984) | $19,840 |
| **Total** | **$100,340** |
| **Net cost of improvements** | **$109,660** |

applicant to attach a copy of the completed federal form. This ease of compliance makes the state credits very attractive with forty one Part 2 commercial applications received in 2000, up 33% from 1999.

**Modest Rehab by Longtime Homeowners**

The Smiths have lived in their home within the Local Historic District for over 20 years. Time has come for them to decide whether to complete long deferred improvements or to sell and move away from their longtime neighborhood. They decide to stay and do the rehab work, taking advantage of the state and local tax incentives. The federal credit is not available for owner-occupied homes.

| | |
|---|---|
| **Rehab undertaken** | |
| New kitchen | $10,000 |
| New bathroom | $5,000 |
| New roof | $5,000 |
| New heating and air conditioning | $10,000 |
| **Total** | **$30,000** |
| **Tax Savings** | |
| Federal income tax credit | $0 |
| State income tax credit/refund (25% of $30,000) | $7,500 |
| Local property tax credit (10 years x $283) | $2,830 |
| **Total** | **$10,330** |
| **Net cost of improvements** | **$19,670** |

*Income-producing property in the Federal Hill Main Street historic district before (bottom) and after (top) rehabilitation.*

**Fig. 8.** State of Maryland, Tax Incentives for the Rehabilitation of older buildings

The requirement for owner occupiers in terms of cost threshold is $5,000. This makes the credit available to a wide range of historic property owners who may not be able to finance a rehabilitation project that must exceed the adjusted basis of the property. The carry forward for the credit is ten years (the same as the Federal program), and the project can be phased or completed in twenty-four months.

In addition, Maryland has provided enabling legislation for local governments to freeze property taxes at the pre-rehabilitation rate and/or provide a 10% property tax credit for rehabilitation expenditures. Any unused credits can be transferred to the purchaser of the building, enabling the seller to capitalize those credits into a higher sale

price. Maryland allows the individual or business entity the choice of a tax credit or a mortgage credit under, Art. 83B, § 5-801(f) of the Code of Maryland. The tricky part is that a mortgage credit is reduced in value by an amount equal to the lending institution's marginal increase in Federal taxes. The Federal corporate income taxes are higher because the bank has a lower deduction for state taxes paid, due to the use of the state income tax credit. Table 3 provides a simplified example of the calculations:

**Table 5**

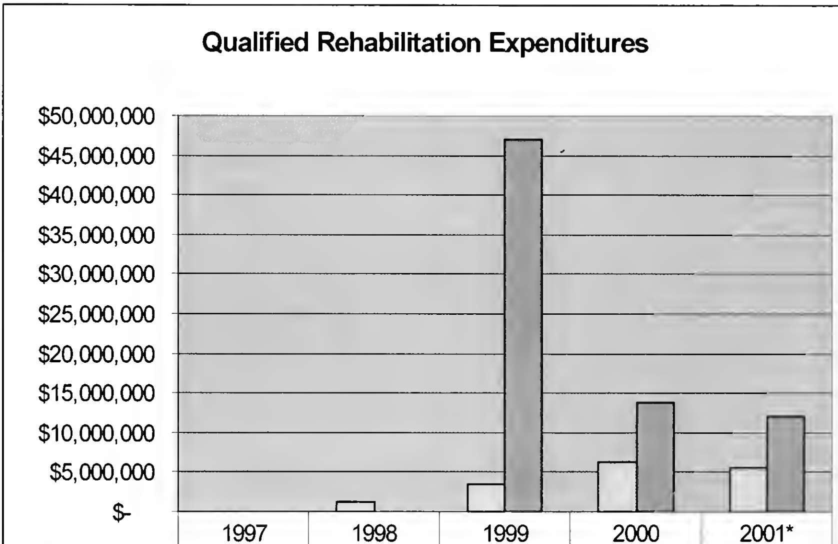
**Maryland Lending Institution Calculation for Mortgage Credit Value**

| | | | | | |
|---|---|---|---|---|---|
| **State Taxes without Credit:** | | | **Federal Taxes Without Credit:** | | |
| income | $ | 1,000 | Income | $ | 1,000 |
| tax 7% | $ | (70) | Deduction | $ | (70) |
| Credit | $ | - | Adj. Income | $ | 930 |
| State Tax Bill | $ | (70) | Fed. Tax Bill @ 35% | $ | (326) |
| **State Taxes with Credit:** | | | **Federal Taxes With Credit:** | | |
| income | $ | 1,000 | Income | $ | 1,000 |
| tax 7% | $ | (70) | Deduction | $ | (50) |
| Credit | $ | 20 | Adj. Income | $ | 950 |
| State Tax Bill | $ | (50) | Fed. Tax Bill @ 35% | $ | (333) |
| **Net Difference Federal** | **$** | **(7)** | **in higher federal taxes when applying the state income tax credit** | | |
| **Net Difference State** | **$** | **20** | **in lower state taxes when applying the state income tax credit** | | |
| **Bank lowers taxes by** | **$** | **13** | | | |
| **Value of Mortgage Credit is reduced by** | **$** | **7** | | | |

Once the value is determined, the borrower can choose to either reduce the principal amount of the loan or opt for a lower interest rate on the mortgage.

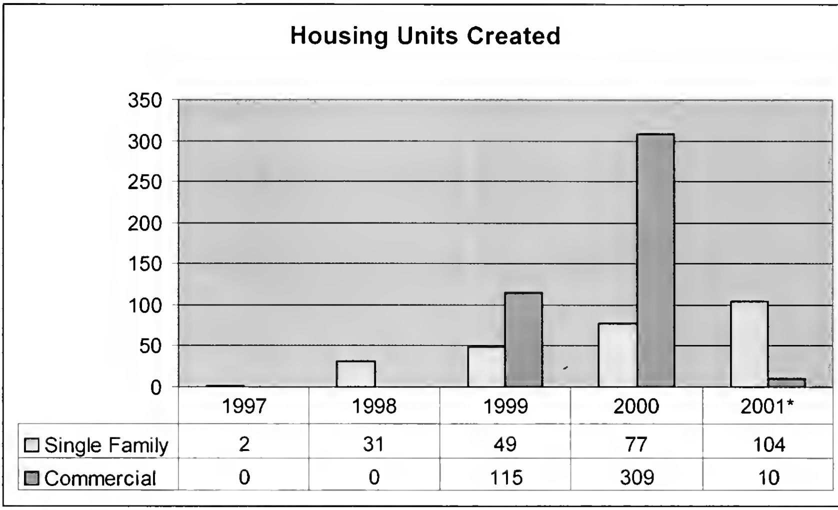
Since the program's inception on January 1, 1997, two hundred seven single family residences have taken advantage of the program accounting for two hundred

housing units. However, only twenty-seven commercial projects have taken advantage of the 25% income tax credit, creating four hundred twenty nine housing units (See Appendix D). The charts that follow provide a graphic depiction of the use and dollar amount of preservation activity that use the state tax credit.




| | 1997 | 1998 | 1999 | 2000 | 2001* |
|---|---|---|---|---|---|
| Single Family | $26,083 | $1,203,782 | $3,548,914 | $6,247,622 | $5,532,784 |
| Commercial | $- | $- | $47,107,942 | $13,860,218 | $12,126,542 |

**Fig. 9.** Maryland program statistics




| | 1997 | 1998 | 1999 | 2000 | 2001* |
|---|---|---|---|---|---|
| Single Family | 2 | 31 | 49 | 77 | 104 |
| Commercial | 0 | 0 | 115 | 309 | 10 |

**Fig. 10.** Maryland program statistics

The spike in 1999 is most likely the result of the credit reaching the 25% level from 10% in 1997. The decrease in number of projects and dollars spent in 2001 pertaining to the commercial sector may well be attributed to the down turn in the commercial real estate sector. The use of the credits is affected by the state of the regional economy and whether there is demand for office or retail or apartments. In order to more precisely determine the cause of this decrease in use of the commercial rehabilitation tax credits, a regression analysis (an economic modeling technique) would need to be performed.

The single family usage of the credit continues on an upward trend despite the downturn in the economy. The dollars expended have leveled off at the $5-6mm level. Unlike many commercial endeavors that utilize the credit for development, the owner occupier uses the credit to reduce the costs of maintaining and improving their primary

residence. The vested interest in their property that homeowners have tended to mitigate the effects of the outside economic influences to which commercial developers are more susceptible. Also, the lower adjusted basis for single family, $5,000, makes the credit available to a multitude of projects, from painting the exterior to complete rehabilitations.

Section 3.4: Missouri State Analysis

*Missouri Statutes, §251.470-485 (rev.1998)*

Missouri provides a income tax credit of 25% of the qualified rehabilitation costs as defined by the Internal Revenue Code of 1986 §47(c)(2)(A), the same as the federal program. The cost threshold for Missouri is 50% of the adjusted basis of the structure and the credit is available to, "any person, firm, partnership, trust, estate, or corporation".[18] The credit can be carried forward for ten years and back three years, a unique aspect of this program. Eligible taxpayers may transfer, sell or assign the credits. Not-for-profits are ineligible. Therefore community development groups could not rehab a house and transfer the credits to the new homeowner, a disadvantage of the program. In addition, there is no phasing of the project but the carry back aspect of the law could provide credits for work that lasts more than 24 months.

The Department of Economic Development receives and processes the application. In addition, they issue the paperwork when approved to provide the income tax credit. They consult with the Department of Natural Resource State Historic Preservation Office for technical certification- in other words, meeting the Standards for Rehabilitation. Depending on the scope and cost of the project, the applicant must submit an itemized list of expenditure for projects under $500,000 or a certified (audited) list for projects over that amount. Any work categories over $100,000 must be itemized as well. The qualifying expenditures are not as liberal as some other states, and the extensive itemizing requirements could limit the use of the credit.

[18] Missouri Statutes §253.550, Missouri Historic Preservation Tax Credit Program, (1998)

Section 3.4.1: Missouri: Credits in Use, Hotel Governor Project

The Hotel Governor project located in Jefferson City, Missouri converted a derelict, pigeon infested former hotel into a state government office building. The hotel, constructed in 1941, closed in the late 1980's and was vacant for over ten years. Bruce Cohn, the owner and saviour of the hotel, stated, "Many developers wanted to do something but couldn't get through the planning stages".[19] The following is an excerpt from the Missouri Resources magazine published this past summer:

**Fig. 11.** Hotel Governor, Missouri Resources magazine.

A brochure for the newly built Hotel Governor boasted that the modern facility was "The Hub of All Activities."

"The hotel that originally was constructed for approximately $700,000 would demand $15 million in renovations. 'I came and looked at the building and said, 'There aren't many things that distinguish it architecturally,' but its history didn't make demolition a possible scenario,' Cohn said. His bid on behalf of his development firm, the Hotel Governor LLC, was awarded the project."[20]

Cohn realized the key to making the project work would be tax credits. The developer applied for the federal and state credits to fund the work needed, along with Brownfield credits, which can be used to offset the costs involved in environmental remediation. The Brownfield credits were used to pay for asbestos abatement. The credits allowed Cohn to raise between $5 and $6 million that he used for restoring the building.

[19] Tracey Berry, *A Credit to History*, (Missouri Resources, Summer 2001)
[20] Ibid


This view shows the Governor Office Building as it is seen from Madison Street in Jefferson City. The renovation of the former Hotel Governor demanded a restorative approach to the building's exterior, with windows playing a key role.

**Fig. 12.** Governor Office Building, Missouri Resources magazine.

"These programs are incentives to keep a historic feel for a community. Along with that incentive comes a responsibility to do just that…The former hotel is part of the Missouri State Capitol Historic District. Keeping that historic feel in a building that needed $15 million worth of work became Cohn's next challenge. 'We had to get creative'".[21]

This project represents a portion of the $43 million in state tax credits that were

pending in 2000.[22] Couple this with the 104 projects representing $142,062,828 of investment over the past five years and the success of the state and federal credits is clear.[23] The Missouri program is successful due in part to the large development projects already occurring in the state and the ability to sell the credits up front. The Governor Hotel project depicts the large cost associated with renovating an existing building and the developer's necessity to raise cash as soon as possible. The state and federal credits allowed them to do that, reducing construction costs approximately 47% from $150/SF to $70/SF.

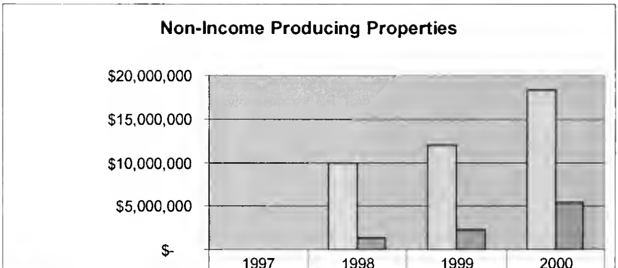
[21] Mark Miles, *Investing in the Past*, (Missouri Resources, Spring 2000)
[22] Mark Miles, *Investing in the Past*, (Missouri Resources, Spring 2000)
[23] National Park Service, *Federal Tax Incentives for Rehabilitating Historic Buildings*, (June 2001)

Section 3.5: North Carolina State Analysis

*General Statues of North Carolina, §105-130.42 (rev. 1998)*

North Carolina's tax credit program began in 1994 for commercial properties with a 5% state income tax credit. This program supplemented the Federal initiative that had been reduced from 25% to 20% in the 1986 Tax Reform Act. In January 1998, the revised state tax credit program for income producing properties increased from 5% to 20% and created a new 30% credit for homeowners. A commercial property that qualifies for the federal credit automatically qualifies for the state program. The Federal and State standards and requirements are identical and, when combined, effectively lower the cost of rehabilitation by 40%. This automatic eligibility for the state program is known as a "piggy back" program.

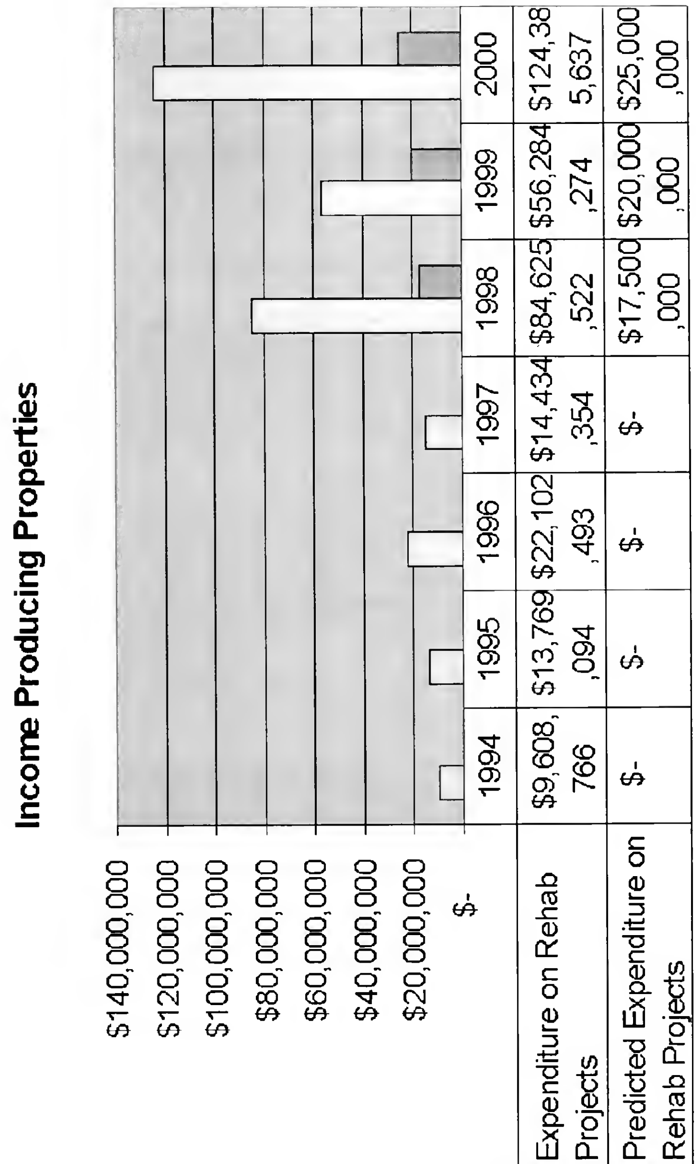
**Fig. 13.** North Carolina program statistics




| | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|
| Expenditure on Rehab Projects | $- | $9,985,249 | $12,011,056 | $18,355,618 |
| Predicted Expenditure on Rehab Projects | $- | $1,360,000 | $2,353,961 | $5,408,316 |

For a non-depreciable structure (owner-occupied residential), work must meet the Secretary of Interior's Standards for Rehabilitation, but the adjusted basis cost threshold is removed in favor of a $25,000 benchmark to qualify. The credit must be taken in five equal installments, i.e. a $50,000 credit is broken down into a $10,000/year income tax credit. Any unused portion, due to insufficient tax liability to offset the credit, may be carried forward five years.

The buildings at the time of application must be listed as certified historic structures for the state incentive. (This is a subtle difference between the Federal program and the state because at the federal level there can be preliminary certification. There is a ruling by the National Park Service that the structure in question most likely will be eligible for National Register listing but the process has not been completed. In addition, there is no "phasing" of the projects for non-income producing structures.) Figures 13 and 14 depict the increase in use of the North Carolina Historic Rehabilitation Tax Credit after 1998, when the incentive was increased from 5% to 20% for commercial properties.




| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|
| Expenditure on Rehab Projects | $9,608,766 | $13,769,094 | $22,102,493 | $14,434,354 | $84,625,522 | $56,284,274 | $124,385,637 |
| Predicted Expenditure on Rehab Projects | $- | $- | $- | $- | $17,500,000 | $20,000,000 | $25,000,000 |

Fig. 14. North Carolina program statistics

North Carolina is one of the few states that allows "piggy backing" the state credit on top of the federal rehabilitation tax credit. The concept of "piggy back" is that there is no reduction in eligible rehabilitation expenses because other credits were used. For example, on the federal level when a developer combines the Low Income House Tax Credit with the Rehabilitation Tax Credit the eligible expenses for the LIHTC are reduced by an amount equal to the rehabilitation credit. This ensures that costs claimed in one credit are not counted again when calculating the other.

**Table 6**

| **Low Income Housing Tax Credit & Rehabilitation Investment Tax Credit** | | | |
|---|---|---|---|
| Construction Costs | $ | 100 | |
| LIHTC (only) | $ | 80 | 80% of construction costs |
| Tax Credit | $ | 80 | |
| | | | |
| LIHTC & RITC | | | |
| RITC | $ | 15 | 20% of eligible costs ($75 in this case) |
| New Basis | $ | 85 | Eligible constructions cost - Rehabilitation Tax Credit |
| LIHTC | $ | 68 | |
| | | | |
| Total Tax Credit | $ | 83 | |

In the simple example above the combined effect is 3% above what the credit would be without the rehabilitation tax credit- a marginal increase enabling much more work. "Piggy Backing" in this example would allow for the initial $80 plus the $15 from the RITC. North Carolina effectively reduces the cost of rehabilitation by 40% through the "piggy back" concept.

The potential in North Carolina for use of tax credits are the approximately 32,000 non-income producing structures already listed on the National Register.[24] The

[24] North Carolina General Assembly, *Legislative Fiscal Note*, (SB 323)

state historic preservation office predicted that thirty-four rehabilitation projects for non-income producing properties would commence in the first year. The actual demand was 134 proposed projects in 1998 and has continued to remain above 100 projects per year. The success of this program can be attributed to the lucrative incentive, 30% to a group of individuals who do not have access to the federal tax credit. "The average non-income producing tax credit rehabilitation project has cost approximately $108,000, which translates into a state income tax credit of more than $32,000- a substantial incentive."[25]

[25] North Carolina Department of Cultural Resources, "The Economic Impact of the State Rehabilitation Tax Credit Program for Non-Income Producing Historic Structures in North Carolina", (December 2000)

Section 3.6: Rhode Island State Analysis

*Rhode Island General Laws, §44-33.1-1 to §44-33.1-5 (rev. 2001)*

The Rhode Island program, when first introduced in 1989, was an income tax credit of 10% of the qualified rehabilitation or maintenance costs of owner occupied buildings. This law is primarily one that addresses the maintenance of the building: "the preservation of the exterior of a historic building, its component elements, and its structural system by means of periodic repairs, resurfacing, reattachment, application of coatings, and other measures to allow existing building materials to continue in use".[26] (Very few states focus on the maintenance of historic properties explicitly. Dover County, Delaware has a tax credit program where only the exterior rehabilitation qualifies and California, Arizona, and Maine have maintenance requirements after the completion of a rehabilitation project.)

The minimum expenditure for state certified historic structures is $2,000 in a twelve month period. The tax credit only applies to exterior work on the portion of the building that is owner occupied. For example, if the historic structure is a four unit apartment building, only ¼ of the qualified expenditures would count towards the state tax credit program. In addition, only $1,000 of the income tax credit can be claimed each year and the remainder carried forward indefinitely, as long as the owner resides in the property.

Amendments to the law that took effect on January 1, 2001 include the following:

- the credit has increased to 20% of qualified expenditures

[26] State of Rhode Island, *Historic Homeownership Tax Credit* (January 2001)

- entire credit can be claimed for multi-family residences up to two rental units
- $2,000 of the credit per year can be applied to the owner-occupier's state tax liability

The small dollar amount that can be claimed each year and the inability to transfer or sell the credits is a limitation to this program. The design of the state income tax credit focuses on maintenance issues by deferring a portion of the costs. These costs can be quite substantial for new roofs and painting. The homeowner must provide a certified accounting of the expenditures with canceled checks or contractor's invoices as proof of expenditure. The applicant also must provide preconstruction photographs and a description of the work that will transpire. However, these pre-rehabilitation documents are for advice and recommendations by the Historical Preservation & Heritage Commission, not approval. The approval is granted after the project's completion and the work has been verified as meeting the Secretary of Interior Standards for Rehabilitation.

Many of the projects for this thesis that utilized this state credit were new paint jobs on relatively well maintained buildings. The before and after photographs below are some of the more impressive transformations that have occurred utilizing the historic tax credit program. Roberta Randell of the Rhode Island Historical Preservation and Heritage Commission commented that for the majority of homeowners the tax credit of $2,000 will cover most or all of the individuals' liability for that year. By updating the credit to reflect the increase in taxes over the last decade and include more types of owner occupied houses, the program is better utilized.[27] The following is an approved 2001 list

[27] Roberta Randell, Interview conducted by author, (August 2001)

of projects that received the Historic Homeowners Tax Credit (see appendix E for complete list from 1994-2001).

**Table 7**

| Location Street | City | Date | $ Expended | Tax Credit |
|---|---|---|---|---|
| 232 Adelaide Ave | Providence | 4/1/01 | $ 20,999 | $ 4,199 |
| 18 James St. | Providence | 4/1/01 | $ 20,643 | $ 4,127 |
| 165 Water St. | Warren | 5/1/01 | $ 2,110 | $ 422 |
| 99 Alumni Av. | Providence | 6/1/01 | $ 29,175 | $ 5,835 |
| 60 Pelham St. | Newport | 7/1/01 | $ 8,342 | $ 1,668 |
| 35 Rhode Island Av. | Newport | 7/1/01 | $ 7,000 | $ 1,400 |
| 423 Lonsdale Av. | Pawtucket | 8/1/01 | $ 3,600 | $ 720 |

In February of 2001, a bill was introduced into the state legislature, H-5547, that as enacted created for the first time a state commercial tax credit. It is modeled on the Federal Rehabilitation Tax Credit Program, but the holding period is two years instead of five under the federal. The primary features of this bill are:

- 30% state tax credit for depreciable properties
- expenditures must exceed 50% of the adjusted basis
- 100% of the credit can be used in a tax year
- the credits can be sold and transferred
- disqualifies costs claimed for the Federal tax credit from the state program

A restrictive covenant must be conveyed to the Rhode Island Historical Commission for a period of two years requiring the commission's approval of any alteration during the hold period. The regulations have not been formulated at this time, prohibiting any potential projects from assessing the viability of the credits for their project.

The state, under §44-4.1-1 through §44-4.1-8, provides enabling legislation for

municipalities and local governments to provide up to 20% reduction in property tax liability for five years. Currently, only two municipalities in the state, East Greenwich and Warren, have enacted property tax abatement ordinances. This option only applies to non-depreciable property and carries a hefty penalty if the property is not maintained or becomes ineligible during that five year period. The penalized historic property owner would be liable for the total amount of the reductions from year one plus a 12% compounded annual interest rate on property tax abatement.

Section 3.6.1: Rhode Island: State Credits in Use

The pictures below are the "before" images that accompanied an actual application for the state income tax credits. The project is located at 58 Dexter Street in Providence and incurred $45,195 in qualified exterior expenditures. This property received the credit in 1999 at the previous 10% level, amounting to $4,520.

**Fig. 15 & 16.** 58 Dexter Street Providence, RI before exterior rehabilitation. Photos provided by State Historical Commission

The striking difference between the projects "before and after" photographs depicts how a small incentive can provide some relief to the cost of maintaining an historic property.

**Fig. 17 & 18.** 58 Dexter Street Providence, RI after exterior rehabilitation. Photos provided by State Historical Commission

Although the Rhode Island incentive is small in dollar amount compared to other states analyzed in this thesis, the program is not cumbersome to the homeowner and is targeted at maintenance. The Rhode Island Historical Commission does not require paint analysis in order to claim the credit and there are no recapture penalties or maintenance contracts.

In addition, the Commission allows credits to be claimed against structural work that affects the outside of the building. The project located at 36 Willett Avenue in East Providence spent $47,528 in structural and exterior expenditures and received a $4,753 for these efforts.

**Fig. 19.** 36 Willett Ave. East Providence, RI before exterior rehabilitation. Photos provided by State Historical Commission

**Fig. 20 & 21.** 36 Willett Ave. East Providence, RI after exterior rehabilitation. Photos provided by State Historical Commission

These maintenance incentives are a small investment for the state but provide a large return because, when done at the right time and in the right way, prevents the deterioration of historic properties. The examples of rehabilitation costs and the associated credits provided by the states shows the potentially large dollar amount involved. The Rhode Island approach attempts to address the problem of the deterioration of historic properties prior to the need for extensive rehabilitation.

Section 4.1: Effectiveness of State Tax Incentives

*"The tax incentives are one "carrot" that the federal government has determined is appropriate to influence the market, lessening the negative externalities. The aesthetic and cultural values that older buildings represent are too often neglected or lost when development looks at a building site. The non-monetary values are more often than not pushed aside and are only noticed when the building has been demolished and replaced. This sense of loss reflects the negative externalities that the tax credits try to mitigate by assigning a monetary value too."*
(Johnston v. Commissioner of Internal Revenue, [97-1 USTC ¶ 50,435] et. al.).

*"The general assembly finds and declares that Rhode Island's historic structures have experienced high vacancy rates and physical deterioration. Without adding economic incentive, these structures are not viable for the redevelopment and reuse by modern commercial, residential or manufacturing enterprises and will continue their physical deterioration. The redevelopment and reuse of these historic structures are of critical importance to the economic measures and will assist in stimulating the reuse and redevelopment of historic structures and will improve property values, foster civic beauty, and promote public education, pleasure, and welfare".*
(State of Rhode Island General Assembly, An Act Relating to Historic Structures, (H 5547, Chapter 44-33.2)

The preceding quotes, the first in the preamble from a Federal Tax Court case, the second a state's declaration of purpose, describe the reasons for tax incentives as they relate to historic preservation and the challenges that individuals face when trying to utilize those credits. The first statement is referring to the Federal Rehabilitation Tax Credits, but the complexity can be equally frustrating on the state level. Each of the six state programs examined in this thesis has aspects that others should emulate, as well as those that others should avoid. Shortcomings, in terms of effectiveness of the programs,

range from inadequate promotion of the program to limitations on the amount of the credit that can be used each tax year.

The elements of what works in the state programs are described below:

- *Low adjusted basis threshold for compliance*

Eligibility for what qualifies as "substantial rehabilitation" in many circumstances depends on how much the owner spends on the rehabilitation-The lower the threshold for eligibility, the greater the potential for widespread use. The term, adjusted basis, itself, can limit who will participate in the residential program. Many people have no idea what that means and how to find the information in order to calculate it. When state programs establish minimum thresholds, like Connecticut and North Carolina's $25,000 level or Maryland's $5,000 benchmark, then the calculations are straightforward and less daunting to the owner.

- *The percentage of costs eligible for credit commensurate with scope of rehabilitation project.*

The marginal increase in time and money to comply with the requirements for the state rehabilitation tax credit must be offset by the monetary benefit. The larger the percentage, the more attractive it is for the homeowner- 20% appears to be the minimum for effective programs. Rhode Island has recently increased their percentage eligible for the tax credit from 10% to 20%, in order to make the program more attractive to property owners. As described in section 3.6, Rhode Island does not burden the homeowner with stringent compliance issues, but the credit allowed to be claimed is low. Their program aligns the cost of compliance with an appropriate benefit making their program quite effective. Missouri provides 30% to residential

and a 20% "piggy back" credit to commercial and requires a greater investment in time and money, in order to comply, but the benefit is greater.

- *Sale, transfer and assignment of credits (Key for Commercial properties)*

The liquidity associated with the ability to sell, transfer or assign the credits is important to the attractiveness of the state programs. Cash in hand, today, by selling the credits provides additional funds when they are most needed, during rehabilitation. This is particularly important for commercial properties that may utilize significant leverage on the properties in order to perform the rehabilitation. The sale of the credits can lower the amount needed to finance or provide a contingency for the project. Missouri, Connecticut and Maryland allow for the sale, transfer or assignment of credits in one form or another. Maryland and Connecticut allow the credits to be converted into mortgage credits, effectively assigning them to the lending institutions who claim the credits against their income taxes.

- *Long or unlimited carry forward of credits and no "cap" on the amount of the credits*

In many circumstances, the property owner may not have sufficient income or tax liabilities to utilize the credits. In addition, if the state program does not allow for the sale or assignment of the tax credits, then the value and ultimately the effectiveness of the credits is reduced. The more options that are available to the property owner for utilizing the tax incentives, the more attractive and effective the program. The 10 year carry forward of the credits enables a property owner to "use up" the credits when they have sufficient tax liability. Arbitrarily limiting the amount of the credit, like Connecticut's $30,000 cap, greatly reduces the number of projects utilizing the

program.

- *Promotion of program through state and local organizations*

In Connecticut, the Local Initiatives Support Corporation promotes and utilizes the rehabilitation tax credit program. In Arizona, it was the Windsor Hill community that requested National Register designation in order to utilize the state tax incentives. In North Carolina and Missouri it was the state historic commissions that actively promoted the programs. In all these cases, it is an individual or group of individuals that create well utilized programs.

- *Automatic state credit if Federal is approved for commercial properties: the "piggy back" concept*

As explained in section 3.5, North Carolina's "piggy back" program allows qualifying rehabilitation costs to count twice, once for the Federal program and again for the state. The property owner who qualifies for the federal program automatically qualifies for the state's, with minimal time and money expenditures to the application and compliance process.

Although the states analyzed in this thesis provided many success stories and aspects of their programs to be emulated, the following are elements of the state programs that limit effectiveness:

- *Tedious application process*

Additional time and money spent on compliance for a state tax credit must be worth it. Rhode Island's commercial program with different requirements for the federal and the state applications could become a hindrance.

- *Maintenance contracts and façade easements that are required for the credits*

Arizona's program is a prime example of stringent stipulations that marginalize the tax incentive program. Requiring deed restrictions like façade easements forces applicants to relinquish certain property rights that may reduce the value of their property.

- *Different requirements for eligible costs on depreciable properties between the Federal and State programs*

Rhode Island disqualifies expenditures that were claimed for the Federal credit from eligibility for the state incentive. This requires additional paperwork and, more importantly, reduces the amount of eligible rehabilitation expenditures lowering the tax credit.

- *Different parties: who can use the credit vs. who is eligible*

Connecticut's owner occupied historic tax credit program where the credit is a corporate tax credit does not make sense. In order to navigate and understand the program, expertise in finance is a prerequisite. The benefits are provided to the eligible homeowner in a roundabout way that limits who will take advantage of the incentives.

In the past five years the states studied in this thesis, as well as many others, have aggressively increased the allowable credits. Rhode Island, for example, has doubled the amount per year that can be claimed and enacted a new commercial credit trying to amend the pre-existing hindrances in its program. This has resulted in an increase in applications because of the new changes in the homeowner credit program.

Connecticut's confusing program, where the low income homeowner is the one

eligible for the credit yet the entity that can claim the credit on the tax return is a corporation, is a severe shortcoming of the effectiveness of the tax incentive. A non-profit like LISC (Local Initiatives Support Corporation) is almost a prerequisite for using the credits. They helped draft and formulate the credit that is really a low income housing credit coupled with reuse of older housing stock. The results of the properties that have used them are a great success but the complexity of credit program is a hindrance for the intended home owners. If an individual attempted to utilize the credit on their own they would have to find and negotiate with a corporation to buy the credit. This is in addition to complying with the requirements of the State Historic Preservation Office, who utilize the Secretary of Interior's Standards for Rehabilitation, an ambiguous document in its own right.

North Carolina's program has been a success due to its large availability of historic housing stock and a straightforward program that represents a significant tax credit. The absolute hurdle rate for rehabilitation expenditures of $25,000 for eligibility in the program removes the complexity of determining the adjusted basis of the subject property. (This determination requires homeowners to determine the value of their property minus the value of land- a difficult task depending on how long ago the house was purchased and the availability of comparative property analysis. However, this requires access to recent sale prices and a detailed description of the features of the comparative properties.) In other words, a set number is by far a simpler way for a homeowner to determine whether to pursue the tax credit or not. Commercial properties and their rehabilitation can accommodate the more difficult requirements for eligibility because, in many instances, the owner has access to experts and accountants who can

comply with the requirements for the credits. However, the tax incentive still has to be lucrative enough for them to offset the compliance cost. Development is risky enough without adding complexity that does not pay for itself.

Arizona's commercial property tax freeze has been underutilized, according to the state's historic tax coordinator, Erika Finbraten.[28] Several reasons for this are the 10 year maintenance contract that owners must sign to be eligible for the credits. The recapture penalties are significant for this program as well, because they include an interest provision for lost property taxes. The relatively small property tax freeze coupled with the recapture penalties lead to the underutilization of this program.

State tax incentives for historic preservation are a necessary "carrot" for the offsetting compliance costs associated with local historic preservation ordinances. In those jurisdictions that have not enacted preservation ordinances, the tax incentive may be the only motivating factor for historic preservation. The states in this thesis have been selected to represent the variety of programs that have been enacted throughout the United States and to determine what works. As in many instances, a motivated individual or group will make or break the usefulness of a program. In the case of state tax incentives for historic preservation, one quickly finds that many such individuals were the catalyst behind their state's programs.

In Rhode Island, the incentive is relatively small but obtaining the approval from the historical commission is relatively easy. The result is that many maintenance activities that individuals would pursue regardless of whether or not there was an incentive can qualify. Some would argue whether this was "preservation" but the fact

remains that structures are maintained, albeit many times with no research or analysis into the "proper" colors or roofing material. The fact that the buildings still stand and are lived in adds value to their neighborhoods. Their well kept appearance provides a benefit to the community at a lower cost to the state than an accurate house museum restoration. Tailoring the preservation effort to the significance of the building is a key to a successful preservation program; Rhode Island is one state that has achieved this on the residential side.

On the commercial side of the state tax incentive programs, the effectiveness of those programs have a great deal to do with macro economic issues- i.e., the greater development market in the region. Development demand issues aside, what makes the Federal credit so attractive to developers is the ability to sell the credits to corporations throughout the country. Many developers do not have enough taxable income to use the credit themselves immediately upon qualification. Without being able to sell the credits, these individuals would then have to carry the credit forward until the entire credit is used. The time value of money dictates that a dollar today is more valuable than a dollar at some point in the future. State tax credits could only be sold to corporations with a tax liability in the subject state, a much smaller market. In addition, the state tax liability is generally much smaller than the federal liability, reducing the attractiveness of state credits.

The manner in which the tax credit programs are implemented and administered (the "ease of use factor") contributes directly to the effectiveness of these programs. The commercial incentives in the states that provide them are intended for sophisticated

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[28] Erika Finbraaten, Interview by author, (Arizona State Parks, July 2000)

developers who are familiar with the process through experience with the federal program. Conversely, homeowners are at a disadvantage in terms of knowledge of the application process. Whether and how well the state office in charge of implementing the program assists the homeowner is critical for widespread use. The federal tax credit application process can be daunting for the average property owner (of course he's not usually eligible unless it's income-producing) and if the rehabilitation requirements and or application process are too stringent, then use of the credit will be hampered.

The design of a state tax incentive program is the result of political process responding to the perceived needs in the state. The literature review section touched on the issues that surround historic preservation, and these issues influence how the credit is enacted by the state legislature. In Connecticut, for example, the credit is expressly prohibited from wealthier areas of the state and is intended solely for low income housing development.

Whether or not the credits are used is an entirely different matter. The list of what works in a state tax incentive program provides a basis for designing programs that will accomplish the goals of the state. Several of the do's and don'ts are basic policy guidelines that are applicable to the vast majority of state programs, yet the hindrances to an effective, well utilized program are still evident in many of the policies. Attempts to limit the fiscal burden on the state produces many of the ineffective polices or regulations, such as caps on the amount of the credit or disqualifying certain expenditures or the lack of marketing for the program. North Carolina performed a fiscal impact analysis that predicted there would be $976,600 of forgone tax revenue in 1999 attributed to the tax credit program when in fact the number is slightly over $1.6 million (Appendix

F). The success reflects the well designed program exceeding the predicted impacts by a substantial amount. Connecticut, on the other hand, explicitly limited the fiscal impacts on the state budget by limiting the credit amount to $3 million per year. The design and limits placed on the program has reduced the fiscal impacts to the state but the program effectiveness and use have been severely curtailed.

The states analyzed in this thesis have provided examples of historic preservation tax incentives with varying degrees of effectiveness. Building from the conclusions found here, many state programs could be refined to better accomplish their goals and thus enabling more historic properties to be rehabilitated or maintained. Regardless of the limits found in the programs, states have taken the lead in historic preservation tax incentives and have created programs, sometimes through trial and error, that are applicable to many more properties than the Federal tax incentive program. As the historic preservation tax incentive programs are improved, the communities involved can only gain from their development and advancement.

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Index

Appendix A

## Sec. 47. Rehabilitation credit

- (a) General rule
  For purposes of section 46, the rehabilitation credit for any taxable year is the sum of -
  - (1) 10 percent of the qualified rehabilitation expenditures with respect to any qualified rehabilitated building other than a certified historic structure, and
    (2) 20 percent of the qualified rehabilitation expenditures with respect to any certified historic structure.
- (b) When expenditures taken into account
  - (1) In general
    Qualified rehabilitation expenditures with respect to any qualified rehabilitated building shall be taken into account for the taxable year in which such qualified rehabilitated building is placed in service.
  - (2) Coordination with subsection (d)
    The amount which would (but for this paragraph) be taken into account under paragraph (1) with respect to any qualified rehabilitated building shall be reduced (but not below zero) by any amount of qualified rehabilitation expenditures taken into account under subsection (d) by the taxpayer or a predecessor of the taxpayer (or, in the case of a sale and leaseback described in section 50(a)(2)(C), by the lessee), to the extent any amount so taken into account has not been required to be recaptured under section 50(a).
- (c) Definitions
  For purposes of this section -
  - (1) Qualified rehabilitated building
    - (A) In general
      The term "qualified rehabilitated building" means any building (and its structural components) if -
      - (i) such building has been substantially rehabilitated,
      - (ii) such building was placed in service before the beginning of the rehabilitation,
      - (iii) in the case of any building other than a certified historic structure, in the rehabilitation process -
    - (I) 50 percent or more of the existing external walls of such building are retained in place as external walls,
    - (II) 75 percent or more of the existing external walls of such building are retained in place as internal or external walls, and
      (III) 75 percent or more of the existing internal

structural framework of such building is retained in place, and
(iv) depreciation (or amortization in lieu of depreciation) is allowable with respect to such building.

- (B) Building must be first placed in service before 1936
In the case of a building other than a certified historic structure, a building shall not be a qualified rehabilitated building unless the building was first placed in service before 1936.

- (C) Substantially rehabilitated defined

    - (i) In general
    For purposes of subparagraph (A)(i), a building shall be treated as having been substantially rehabilitated only if the qualified rehabilitation expenditures during the 24-month period selected by the taxpayer (at the time and in the manner prescribed by regulation) and ending with or within the taxable year exceed the greater of -

- (I) the adjusted basis of such building (and its structural components), or

- (II) $5,000.
The adjusted basis of the building (and its structural components) shall be determined as of the beginning of the 1st day of such 24-month period, or of the holding period of the building, whichever is later. For purposes of the preceding sentence, the determination of the beginning of the holding period shall be made without regard to any reconstruction by the taxpayer in connection with the rehabilitation.

    - (ii) Special rule for phased rehabilitation
    In the case of any rehabilitation which may reasonably be expected to be completed in phases set forth in architectural plans and specifications completed before the rehabilitation begins, clause (i) shall be applied by substituting "60-month period" for "24-month period".

    - (iii) Lessees
    The Secretary shall prescribe by regulation rules for applying this subparagraph to lessees.

- (D) Reconstruction
Rehabilitation includes reconstruction.

- (2) Qualified rehabilitation expenditure defined

    - (A) In general
    The term "qualified rehabilitation expenditure" means any amount properly chargeable to capital account -

        - (i) for property for which depreciation is allowable under section 168 and which is -

- (I) nonresidential real property,
- (II) residential rental property,
- (III) real property which has a class life of more than 12.5 years, or
- (IV) an addition or improvement to property described in subclause (I), (II), or (III), and
  (ii) in connection with the rehabilitation of a qualified rehabilitated building.
- (B) Certain expenditures not included
  The term "qualified rehabilitation expenditure" does not include -
    - (i) Straight line depreciation must be used
      Any expenditure with respect to which the taxpayer does not use the straight line method over a recovery period determined under subsection (c) or (g) of section 168. The preceding sentence shall not apply to any expenditure to the extent the alternative depreciation system of section 168(g) applies to such expenditure by reason of subparagraph (B) or
- (C) of section 168(g)(1).
    - (ii) Cost of acquisition
      The cost of acquiring any building or interest therein.
    - (iii) Enlargements
      Any expenditure attributable to the enlargement of an existing building.
    - (iv) Certified historic structure, etc.
      Any expenditure attributable to the rehabilitation of a certified historic structure or a building in a registered historic district, unless the rehabilitation is a certified rehabilitation (within the meaning of subparagraph (C)). The preceding sentence shall not apply to a building in a registered historic district if -
- (I) such building was not a certified historic structure,
- (II) the Secretary of the Interior certified to the Secretary that such building is not of historic significance to the district, and
  (III) if the certification referred to in subclause (II) occurs after the beginning of the rehabilitation of such building, the taxpayer certifies to the Secretary that, at the beginning of such rehabilitation, he in good faith was not aware of the requirements of subclause (II).
    - (v) Tax-exempt use property
- (I) In general
  Any expenditure in connection with the rehabilitation of

a building which is allocable to the portion of such property which is (or may reasonably be expected to be) tax-exempt use property (within the meaning of section 168(h)).

- (II) Clause not to apply for purposes of paragraph (1)(C)
  This clause shall not apply for purposes of determining under paragraph (1)(C) whether a building has been substantially rehabilitated.

  - (vi) Expenditures of lessee
    Any expenditure of a lessee of a building if, on the date the rehabilitation is completed, the remaining term of the lease (determined without regard to any renewal periods) is less than the recovery period determined under section 168(c).

- (C) Certified rehabilitation
  For purposes of subparagraph (B), the term "certified rehabilitation" means any rehabilitation of a certified historic structure which the Secretary of the Interior has certified to the Secretary as being consistent with the historic character of such property or the district in which such property is located.

- (D) Nonresidential real property; residential rental property; class life
  For purposes of subparagraph (A), the terms "nonresidential real property," "residential rental property," and "class life" have the respective meanings given such terms by section 168.

- (3) Certified historic structure defined

  - (A) In general
    The term "certified historic structure" means any building (and its structural components) which -

    - (i) is listed in the National Register, or

    - (ii) is located in a registered historic district and is certified by the Secretary of the Interior to the Secretary as being of historic significance to the district.

  - (B) Registered historic district
    The term "registered historic district" means -

    - (i) any district listed in the National Register, and
      (ii) any district -

  - (I) which is designated under a statute of the appropriate State or local government, if such statute is certified by the Secretary of the Interior to the Secretary as containing criteria which will substantially achieve the purpose of preserving and rehabilitating buildings of historic significance to the district, and

(II) which is certified by the Secretary of the Interior to the Secretary as meeting substantially all of the requirements for the listing of districts in the National Register.

- (d) Progress expenditures

    - (1) In general
    In the case of any building to which this subsection applies, except as provided in paragraph (3) -

        - (A) if such building is self-rehabilitated property, any qualified rehabilitation expenditure with respect to such building shall be taken into account for the taxable year for which such expenditure is properly chargeable to capital account with respect to such building, and
        (B) if such building is not self-rehabilitated property, any qualified rehabilitation expenditure with respect to such building shall be taken into account for the taxable year in which paid.

    - (2) Property to which subsection applies

        - (A) In general
        This subsection shall apply to any building which is being rehabilitated by or for the taxpayer if -

            - (i) the normal rehabilitation period for such building is 2 years or more, and
            (ii) it is reasonable to expect that such building will be a qualified rehabilitated building in the hands of the taxpayer when it is placed in service.
            Clauses (i) and (ii) shall be applied on the basis of facts known as of the close of the taxable year of the taxpayer in which the rehabilitation begins (or, if later, at the close of the first taxable year to which an election under this subsection applies).

        - (B) Normal rehabilitation period
        For purposes of subparagraph (A), the term "normal rehabilitation period" means the period reasonably expected to be required for the rehabilitation of the building -

            - (i) beginning with the date on which physical work on the rehabilitation begins (or, if later, the first day of the first taxable year to which an election under this subsection applies), and
            (ii) ending on the date on which it is expected that the property will be available for placing in service.

    - (3) Special rules for applying paragraph (1)
    For purposes of paragraph (1) -

        - (A) Component parts, etc.
        Property which is to be a component part of, or is otherwise

to be included in, any building to which this subsection applies shall be taken into account -

- (i) at a time not earlier than the time at which it becomes irrevocably devoted to use in the building, and
  (ii) as if (at the time referred to in clause (i)) the taxpayer had expended an amount equal to that portion of the cost to the taxpayer of such component or other property which, for purposes of this subpart, is properly chargeable (during such taxable year) to capital account with respect to such building.

- (B) Certain borrowing disregarded
  Any amount borrowed directly or indirectly by the taxpayer from the person rehabilitating the property for him shall not be treated as an amount expended for such rehabilitation.

- (C) Limitation for buildings which are not self-rehabilitated

  - (i) In general
    In the case of a building which is not self-rehabilitated, the amount taken into account under paragraph (1)(B) for any taxable year shall not exceed the amount which represents the portion of the overall cost to the taxpayer of the rehabilitation which is properly attributable to the portion of the rehabilitation which is completed during such taxable year.

  - (ii) Carryover of certain amounts
    In the case of a building which is not a self-rehabilitated building, if for the taxable year -

- (I) the amount which (but for clause (i)) would have been taken into account under paragraph (1)(B) exceeds the limitation of clause (i), then the amount of such excess shall be taken into account under paragraph (1)(B) for the succeeding taxable year, or

- (II) the limitation of clause (i) exceeds the amount taken into account under paragraph (1)(B), then the amount of such excess shall increase the limitation of clause (i) for the succeeding taxable year.

- (D) Determination of percentage of completion
  The determination under subparagraph (C)(i) of the portion of the overall cost to the taxpayer of the rehabilitation which is properly attributable to rehabilitation completed during any taxable year shall be made, under regulations prescribed by the Secretary, on the basis of engineering or architectural estimates or on the basis of cost accounting records. Unless the taxpayer establishes otherwise by clear and convincing evidence, the rehabilitation shall be deemed to be completed not more rapidly than ratably over the normal rehabilitation period.

        - (E) No progress expenditures for certain prior periods
          No qualified rehabilitation expenditures shall be taken into account under this subsection for any period before the first day of the first taxable year to which an election under this subsection applies.

        - (F) No progress expenditures for property for year it is placed in service, etc.
          In the case of any building, no qualified rehabilitation expenditures shall be taken into account under this subsection for the earlier of -

            - (i) the taxable year in which the building is placed in service, or

            - (ii) the first taxable year for which recapture is required under section 50(a)(2) with respect to such property, or for any taxable year thereafter.

    - (4) Self-rehabilitated building
      For purposes of this subsection, the term "self-rehabilitated building" means any building if it is reasonable to believe that more than half of the qualified rehabilitation expenditures for such building will be made directly by the taxpayer.

    - (5) Election
      This subsection shall apply to any taxpayer only if such taxpayer has made an election under this paragraph. Such an election shall apply to the taxable year for which made and all subsequent taxable years. Such an election, once made, may be revoked only with the consent of the Secretary.

Appendix B

## Sec. 469. Passive activity losses and credits limited

- (a) Disallowance
  - (1) In general
    If for any taxable year the taxpayer is described in paragraph (2), neither -
    - (A) the passive activity loss, nor
    - (B) the passive activity credit,
      for the taxable year shall be allowed.
  - (2) Persons described
    The following are described in this paragraph:
    - (A) any individual, estate, or trust,
    - (B) any closely held C corporation, and
      (C) any personal service corporation.
- (b) Disallowed loss or credit carried to next year
  Except as otherwise provided in this section, any loss or credit from an activity which is disallowed under subsection (a) shall be treated as a deduction or credit allocable to such activity in the next taxable year.
- (c) Passive activity defined
  For purposes of this section -
  - (1) In general
    The term "passive activity" means any activity -
    - (A) which involves the conduct of any trade or business, and
      (B) in which the taxpayer does not materially participate.
  - (2) Passive activity includes any rental activity
    Except as provided in paragraph (7), the term "passive activity" includes any rental activity.
  - (3) Working interests in oil and gas property
    - (A) In general
      The term "passive activity" shall not include any working interest in any oil or gas property which the taxpayer holds directly or through an entity which does not limit the liability of the taxpayer with respect to such interest.
    - (B) Income in subsequent years
      If any taxpayer has any loss for any taxable year from a working interest in any oil or gas property which is treated as a loss which is not from a passive activity, then any net income from such property (or any property the basis of which is determined in whole or in part by reference to the basis of such property) for any succeeding taxable year shall be treated as income of the taxpayer which is not from a passive

activity. If the preceding sentence applies to the net income from any property for any taxable year, any credits allowable under subpart B (other than section 27(a)) or D of part IV of subchapter A for such taxable year which are attributable to such property shall be treated as credits not from a passive activity to the extent the amount of such credits does not exceed the regular tax liability of the taxpayer for the taxable year which is allocable to such net income.

- (4) Material participation not required for paragraphs (2) and (3)
  Paragraphs (2) and (3) shall be applied without regard to whether or not the taxpayer materially participates in the activity.

- (5) Trade or business includes research and experimentation activity
  For purposes of paragraph (1)(A), the term "trade or business" includes any activity involving research or experimentation (within the meaning of section 174).

- (6) Activity in connection with trade or business or production of income
  To the extent provided in regulations, for purposes of paragraph (1)(A), the term "trade or business" includes -

  - (A) any activity in connection with a trade or business, or

  - (B) any activity with respect to which expenses are allowable as a deduction under section 212.

- (7) Special rules for taxpayers in real property business

  - (A) In general
    If this paragraph applies to any taxpayer for a taxable year -

    - (i) paragraph (2) shall not apply to any rental real estate activity of such taxpayer for such taxable year, and
      (ii) this section shall be applied as if each interest of the taxpayer in rental real estate were a separate activity.
      Notwithstanding clause (ii), a taxpayer may elect to treat all interests in rental real estate as one activity. Nothing in the preceding provisions of this subparagraph shall be construed as affecting the determination of whether the taxpayer materially participates with respect to any interest in a limited partnership as a limited partner.

  - (B) Taxpayers to whom paragraph applies
    This paragraph shall apply to a taxpayer for a taxable year if -

    - (i) more than one-half of the personal services performed in trades or businesses by the taxpayer during such taxable year are performed in real property trades or businesses in which the taxpayer materially participates, and

(ii) such taxpayer performs more than 750 hours of services during the taxable year in real property trades or businesses in which the taxpayer materially participates.
In the case of a joint return, the requirements of the preceding sentence are satisfied if and only if either spouse separately satisfies such requirements. For purposes of the preceding sentence, activities in which a spouse materially participates shall be determined under subsection (h).

- (C) Real property trade or business
  For purposes of this paragraph, the term "real property trade or business" means any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business.

- (D) Special rules for subparagraph (B)

  - (i) Closely held C corporations
    In the case of a closely held C corporation, the requirements of subparagraph (B) shall be treated as met for any taxable year if more than 50 percent of the gross receipts of such corporation for such taxable year are derived from real property trades or businesses in which the corporation materially participates.

  - (ii) Personal services as an employee
    For purposes of subparagraph (B), personal services performed as an employee shall not be treated as performed in real property trades or businesses. The preceding sentence shall not apply if such employee is a 5-percent owner (as defined in section 416(i)(1)(B)) in the employer.

Connecticut Historical Commission

# CONNECTICUT HISTORIC HOMES REHABILITATION TAX CREDIT PROGRAM APPLICATION INSTRUCTIONS

In accordance with the regulations promulgated pursuant to Public Act 99-173, sections 34-37, inclusive, an owner seeking a tax credit voucher under the Historic Homes Rehabilitation Program shall file the following applications with the Connecticut Historical Commission:

Part 1 application - "Request for Historic Property Determination"
Part 2 application - "Request for Certification of Proposed Rehabilitation Work"
Part 3 application - "Request for Certification of Completed Rehabilitation Work"
Request for Issuance of Tax Credit Voucher

Property owners must obtain prior approval of rehabilitation work to qualify. Completed work or work in progress does not qualify for the tax credit. Connecticut Historical Commission approval of applications and amendments to applications is conveyed only in writing

The Part 1 application may be filed either separately or together with the Part 2 application. The Part 3 application is submitted only after completion of the rehabilitation work. The Request for Issuance of Tax Credit Voucher is submitted after the Part 3 application has been approved. Please type or print information. Each application requires an original owner signature. Incomplete applications will be placed on hold pending receipt of requested information.

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY BEFORE FILLING OUT THE APPLICATION FORMS. PRIOR CONSULTATION WITH THE CONNECTICUT HISTORICAL COMMISSION IS RECOMMENDED.**

## PART 1: DETERMINATION OF HISTORIC PROPERTY STATUS

Criteria

In order to qualify for the Historic Homes Rehabilitation Tax Credit, the property must meet all the following criteria:

- listed on either the State or National Register of Historic Places; and
- located in a targeted area --certain federal census tracts, or an area of "chronic economic distress," or a State of Connecticut, Office of Policy and Management designated urban/regional center; and
- contain 1-4 residential units after rehabilitation, one unit of which must be owner-occupied.

The owner must be a taxpayer filing a state of Connecticut tax return or a non-profit housing corporation. Ownership means title or prospective title in the form of a purchase agreement or option to purchase.

Completing the Part 1 Application

1. If the property has a known historic name, enter the name. Provide a complete address. Indicate whether the property is on the State or National Register of Historic Places, either as an individual listing or as part of an historic district. This information is available at the Connecticut Historical Commission.

2. In addition to name, mailing address, and telephone number, the owner must provide a social security, FEIN, or CT Tax Registration number. Non-profit housing corporations must also provide a copy of the

organization's certificate of incorporation or a letter certifying the organization as a Community Housing Development Organization (CHDO).

3. Owner must sign certification statement, and original form must be submitted to the Connecticut Historical Commission.

4. Required Documentation
Submit photographs of all exterior elevations of the building and any associated outbuildings, the building in its streetscape context, and any significant interior features. Photographs should be in color and should be 3 1/2"x5" or 4"x6." Photographs should be numbered, dated, labeled with the building address, and identified by architectural elevation and/or feature shown. Photographs may be mounted on 8 1/2"x11" white paper with information captioned below

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## PART 2: REQUEST FOR CERTIFICATION OF PROPOSED REHABILITATION WORK

Criteria

In order to obtain approval of the Part 2 application, the proposed rehabilitation work must meet the Standards for Rehabilitation (see Figure 1). The goal of the Standards for Rehabilitation is to preserve the historic character of a property while returning a building to good condition or undertaking alterations for new uses.

Completing the Part 2 application

1. Provide the complete address of the historic property. If the Part 1 (Request for Historic Property Determination) and Part 2 applications are being submitted at the same time, leave the space for CHC Project # blank. If the Part 1 has been approved, include the CHC Project #.

2. In addition to name, mailing address, and telephone number, the owner must provide a social security, FEIN, or CT Tax Registration number. Non-profit housing corporations must also provide a copy of the organization's certificate of incorporation or a letter certifying the organization as a Community Housing Development Organization (CHDO), unless the information has been previously submitted.

3. Data on Rehabilitation Project

   a. Indicate when the proposed work as described in the application and attachments is estimated to begin and to be completed.

   b. Enter the estimated cost of rehabilitating the building. The total figure should represent eligible rehabilitation expenditures, that is, all construction costs associated with the historic property. Site improvements and soft costs are not eligible. The amount of the tax credit reservation is based on the figure on the Part 2 application.

   c. The number of owner-occupied, and, if applicable, rental units, after rehabilitation should correspond to the written description of rehabilitation work and any architectural drawings submitted with the application.

   d. Attachments

   *Proposed budget*
   Attach either a schedule of values or other form of itemized budget that demonstrates the total project cost. Contractor estimates of proposed work may be submitted. Separate qualified rehabilitation expenditures from non-eligible costs.

   *Photographs*
   Exterior photographs should show all elevations of the building and any associated outbuildings, and close-up views of major architectural elements, such as porches and decorative details. Interior photographs should show representative interior spaces--principal rooms and stairhalls--and

significant historic features, such as window/door casings, doors, stairs, and fireplaces. Photographs should demonstrate building conditions that require rehabilitation work as explained in the application. Photographs can be keyed on existing floor plans. Photographs should be in color and should be 3 1/2"x5" or 4"x6." Photographs should be numbered, dated, labeled with the building address, and identified by architectural elevation and/or features shown. Photographs may be mounted on 8 1/2"x11" white paper with information captioned below.

*Architectural drawings*
Architectural drawings are required if the owner plans to make major changes to the existing building floor plan. Architectural drawings should show existing and proposed floor plans. If exterior changes are proposed ( for example, reconstruction of an historic feature or addition of exterior stairs), full or partial elevation drawings may be required. Drawings may be required if structural repairs are extensive. Shop drawings may be required for custom millwork. All drawings should be to scale and, preferably, 11"x17".

*Technical specifications*
Some proposed rehabilitation work items may require more detailed information, including masonry cleaning and lead-paint remediation. Names of products to be used and how they will be applied should be provided.

*Other information*
Depending on the nature of the proposed rehabilitation work, this category may include an engineer's structural report, lead-paint analysis report, manufacturer's catalog sheets, for example, on windows, interior window casings, or staircase/porch railing components in cases where these builidng elements are missing or are deteriorated beyond repair.

4. Owner must sign certification statement, and original form must be submitted to the Connecticut Historical Commission.

5. For the written description of proposed rehabilitation work to the historic property, use a separate block for each work item. Describe the proposed work and the effect it will have on the architectural feature or space. Begin with work to the exterior and then proceed to the interior. Decribe the existing condition and what work is to be accomplished. For example, conditions may range from poor to excellent, and the rehabilitation work may entail replacement, selective repair/replacement of deteriorated components, routine maintenance, or little work. Note the material of the architectural feature: brick, wood, stone, cement, metal, etc. Indicate if the architectural feature or space--floor plan--is original or altered. List the photographs or drawings that illustrate building conditions and spaces to be altered.

   Below is a checklist of common items of rehabilitation work.

   Exterior

   - ☐ foundation
   - ☐ walls, all elevations
   - ☐ porches, steps
   - ☐ entrances, doors
   - ☐ windows: frames, sash, sills
   - ☐ chimneys
   - ☐ roof
   - ☐ gutters/downspouts
   - ☐ decorative details or ornamentation

   Mechanical systems, utilities, services

   - ☐ HVAC (heating, ventilating, airconditioning)
   - ☐ plumbing
   - ☐ electrical wiring

   Interior

   - ☐ floor plan or arrangement of spaces
   - ☐ floors
   - ☐ walls
   - ☐ ceilings
   - ☐ window casings
   - ☐ doors and door casings
   - ☐ staircases and stairhalls
   - ☐ decorative features, including ceiling moldings or medallions, and paneling
   - ☐ original built-in millwork
   - ☐ structural system

## PART 3: REQUEST FOR CERTIFICATION OF COMPLETED REHABILITATION WORK

Criteria

In order to obtain approval of the Part 3 application, the completed work must meet the Standards for Rehabilitation (see Figure 1) and conform to work previously approved by the Connecticut Historical Commission.

Completing the Part 3 application

1. Provide the complete address of the historic property. Indicate the date the Part 2 (Request for Certification of Proposed Rehabilitation Work) was approved and include the CHC Project #.

2. In addition to name, mailing address, and telephone number, the owner must provide a social security, FEIN, or CT Tax Registration number. Non-profit housing corporations must also provide a copy of the organization's certificate of incorporation or a letter certifying the organization as a Community Housing Development Organization (CHDO), unless the information has been previously submitted.

3. Indicate the date all the rehabilitation work to the historic property was completed, the total number of dwelling units, the date the tax credit reservation was issued by the Connecticut Historical Commission and the reservation #. An owner cannot file a Part 3 application without a tax reservation number.

4. Owner must sign certification statement, and original form must be submitted to the Connecticut Historical Commission.

5. Required Documentation
Photographs of completed rehabilitation work should correspond to photographs submitted with the Part 2 application. Exterior photographs should show all elevations of the building and any associated outbuildings, and close-up views of major architectural elements, such as porches and decorative details. Interior photographs should show representative interior spaces--principal rooms and stairhalls--and significant historic features, such as window/door casings, doors, stairs, and fireplaces. Photographs should be in color and should be 3 1/2"x5" or 4"x6." Photographs should be numbered, dated, labeled with the building address, and identified by architectural elevation and/or feature shown. Photographs may be mounted on 8 1/2"x11" white paper with information captioned below.

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## REQUEST FOR ISSUANCE OF TAX CREDIT VOUCHER

Criteria

In order to obtain one or more tax credit vouchers from the Connecticut Historical Commission, the owner is required to:

- certify the total qualified rehabilitation expenditures
- provide documentation of costs incurred and payment of contractor bills
- submit a statement assuring owner-occupancy for a five-year period and
- verify that any corporate entity named by the owner to receive the tax credit voucher is contributing funds to the rehabilitation of the historic property.

The "Request for Issuance of Tax Credit Voucher" is filed after approval of the completed rehabilitation work.

Completing the Request for Issuance of Tax Credit Voucher

1. Provide the complete address of the historic property. Indicate date the Part 3 application (Request for

Certification of Completed Rehabilitation Work) was approved, the CHC Project #, and attach a copy of the certification.

2. In addition to name, mailing address, and telephone number, the owner must provide a social security, FEIN, or CT Tax Registration number. Non-profit housing corporations must also provide a copy of the organization's certificate of incorporation or a letter certifying the organization as a Community Housing Development Organization (CHDO).

3. Indicate the total qualified rehabilitation expenditures. The amount of the tax credit voucher is either 30 per cent of this figure (up to $30,000 per dwelling unit) or the amount of the tax credit reservation, whichever is less.

   a. The accounting of final project costs should correspond to the work items listed in the original project budget submitted with the Part 2 application (Request for Certification of Proposed Rehabilitation Work).

   b. Program regulations require that the owner submit either a contractor-signed waiver of mechanics lien or a copy of final contractor bill marked paid in full. The owner may submit either form of proof of payment for any contract. Waiver of mechanics lien form (CHC RTC-4-4) is available from the Connecticut Historical Commission.

4. The owner is required to indicate whether the tax credit voucher is to be issued to either the owner or to one or more corporate taxpayers. If more than one taxpayer is named, indicate the percentage of the tax credit (not dollar amount) that each corporation is to receive.

   Program regulations require that if a corporation is named, the owner must verify that the corporate entity to receive the tax credit is "contributing" to the rehabilitation of the historic property. "Contributing" means providing funds in the form of cash—purchase of tax credits—or, in the case of lending instiutions, loans where the value of the tax credit is used to reduce the amount owing. The owner must submit the following orginal signed forms:

   "Contributing Taxpayer Statement of Funds Transaction" (CHC RTC-4-2).
   "Owner Certification of Taxpayer as Contributing" (CHC RTC-4-3)

   "Contributing Taxpayer Statement of Funds Transaction" is to be filed for each corporation named to receive the tax credit voucher. The "Owner Certification of Taxpayer as Contributing" must be signed by a notary public.

   Once issued, the tax credit voucher cannot be transferred.

5. Owner must sign certification statement, and original form must be submitted to the Connecticut Historical Commission. Attach "Owner-Occupancy Assurance Statement" (CHC RTC-4-1).

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REMINDER: BE SURE TO KEEP DUPLICATES OF ALL APPLICATION MATERIALS.

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**Direct questions to :**
**Coordinator, Historic Homes Program**
**(860) 566-3005**

**Send applications to:**
**Coordinator, Historic Homes Program**
**Connecticut Historical Commission**
**59 South Prospect Street**
**Hartford, CT 06106**

Connecticut Historical Commission

CHC
RTC-1
New

# CONNECTICUT HISTORIC HOMES REHABILITATION TAX CREDIT PROGRAM
## PART 1 APPLICATION
## REQUEST FOR HISTORIC PROPERTY DETERMINATION

| CHC USE ONLY |
|---|
| Project # |

1. BUILDING DATA

a. Building name ______________________

Address: Street ______________________

Town ______________ State ____ Zip ________

b. Date of Construction ________

c. Historic Listing:

☐ Individually listed on the National Register of Historic Places

☐ Individually listed on the State Register of Historic Places

☐ Located in a National Register District, specify: ______________________

☐ Located in a State Register District, specify: ______________________

d. Number of residential units: existing ____

total proposed ____ owner occupied ____ rental ____

e. Outbuildings:

Type ______________ Number ____ Date of Construction ______

2. OWNER

Name ______________________

Organization ______________________

Address: Street ______________________

Town ______________ State ____ Zip ________

Telephone # ______________

Taxpayer SS, FEIN, or CT Tax Registration # ______________

Non-profit housing corporation documentation attached (check one):

☐ copy of certificate of incorporation

☐ copy of certification letter as Community Housing Development Organization (CHDO)

☐ other data, specify: ______________________

3. OWNER CERTIFICATION

I hereby attest that I am the owner of the building described above and that the information I have provided is, to the best of my knowledge, correct. I understand that falsification of factual representations in the application may be subject to legal sanctions.

Signature of Owner ______________________________ Date __________

---

CONNECTICUT HISTORICAL COMMISSION OFFICE USE ONLY

Targeted area. ☐ Federal Census Tract # ☐ OPM regional center Townwide

---

CONNECTICUT HISTORICAL COMMISSION OFFICE USE ONLY

The Connecticut Historical Commission has reviewed the Part 1 application, "Request for Historic Property Determination,"for the above-named property and has determined:

☐ The building qualifies as an historic property under regulations promulgated pursuant to Public Act 99-173, sections 34-37, inclusive.

☐ The building does not qualify as an historic property under regulations promulgated pursuant to Public Act 99-173, sections 34-37, inclusive. Comments attached.

☐ Associated outbuilding contributes to the historical significance of the historic home for purposes of calculating qualified rehabilitation expenditures.

☐ Associated outbuilding does not contribute to the historical significance of the historic home for purposes of calculating qualified rehabilitation expenditures. Comments attached.

______________________________ Date ______________

Authorized signature
Connecticut Historical Commission

CHC Project # ______________

Connecticut Historical Commission

CHC
RTC-2
New

# CONNECTICUT HISTORIC HOMES REHABILITATION TAX CREDIT PROGRAM
## PART 2 APPLICATION
## REQUEST FOR CERTIFICATION OF PROPOSED REHABILITATION WORK

1. BUILDING DATA

Address: Street ____________________

Town ____________________ State ____ Zip ____

Has a Part 1 application (Request for Historic Property Determination) been submitted? ☐ yes ☐ no

If yes, date Part 1 submitted ____________ Date approved ____________

CHC Project # ____________

2. OWNER

Name ____________________

Organization ____________________

Address: Street ____________________

Town ____________________ State ____ Zip ____

Telephone # ____________

Taxpayer SS, FEIN, or CT Tax Registration # ____________

Check one:

- ☐ Non-profit housing corporation documentation attached (check one):
  - ☐ copy of certificate of incorporation
  - ☐ copy of certification letter as Community Housing Development Organization (CHDO)
  - ☐ other data, specify: ____________________
- ☐ Non-profit housing corporation documentation previously filed.

3. DATA ON REHABILITATION PROJECT

a. Project start date (est.) ____________ Project completion date (est.) ____________

b. Estimated total qualified rehabilitation expenditures ____________

c. Number of residential units: existing ____

total proposed ____ owner occupied ____ rental ____

d. Attachments:

- ☐ Budget documentation
- ☐ Architectural Drawings
- ☐ Photographs
- ☐ Specifications
- ☐ Other data, specify: ____________________

4. OWNER CERTIFICATION

I hereby attest that I am the owner of the building described above and that the information I have provided is, to the best of my knowledge, correct. I understand that falsification of factual representations in the application may be subject to legal sanctions.

Signature of Owner ______________________________ Date __________

CONNECTICUT HISTORICAL COMMISSION USE ONLY

The Connecticut Historical Commission has reviewed the Part 2 application, "Request for Certification of Proposed Rehabilitation Work," for the above-listed historic property and has determined:

☐ The proposed rehabilitation work described herein meets the Standards for Rehabilitation. This is a preliminary determination only, since final certification of rehabilitation work can be issued to the owner of an "historic property" only after rehabilitation work is completed.

☐ The proposed rehabilitation work described herein does not meet the Standards for Rehabilitation. Comments attached.

______________________________ Date __________

Authorized signature
Connecticut Historical Commission

CHC Project # __________

5. DESCRIPTION OF PROPOSED REHABILITATION WORK
Also include new construction and work to outbuildings.

Number 1

Existing building feature ______________________ ☐ original ☐ altered c.____

Description and Condition:

Proposed rehabilitation work:

Photo nos. ________ Drawing no. ________

Number 2

Existing building feature ______________________ ☐ original ☐ altered c.____

Description and Condition:

Proposed rehabilitation work:

Photo nos. ________ Drawing no. ________

Number 3

Existing building feature ______________________ ☐ original ☐ altered c.____

Description and Condition:

Proposed rehabilitation work:

Photo nos. ________ Drawing no. ________

Connecticut Historical Commission

CHC
RTC-3
New

# CONNECTICUT HISTORIC HOMES REHABILITATION TAX CREDIT PROGRAM
## PART 3 APPLICATION
## REQUEST FOR CERTIFICATION OF COMPLETED REHABILITATION WORK

1. **BUILDING DATA**

Address: Street ______________________

Town ______________________ State ____ Zip ________

Date Part 2 application (Request for Certification of Proposed Rehabilitation Work) approved ________

CHC Project # ________

2. **OWNER**

Name ______________________

Organization ______________________

Address: Street ______________________

Town ______________________ State ____ Zip ________

Telephone # ______________

Taxpayer SS, FEIN, or CT Tax Registration # ______________

Check one:

- ☐ Non-profit housing corporation documentation attached (check one):
  - ☐ copy of certificate of incorporation
  - ☐ copy of certification letter as Community Housing Development Organization (CHDO)
  - ☐ other data, specify: ______________________
- ☐ Non-profit housing corporation documentation previously filed.

3. **DATA ON REHABILITATION PROJECT**

Date rehabilitation work completed ______________ Number of residential units ________

Date of tax credit reservation ______________ Reservation # ______________

4. **OWNER CERTIFICATION**

I hereby apply for certification of completed rehabilitation work for purposes of the State of Connecticut Historic Homes Rehabilitation Tax Credit Program. I hereby attest that I am the owner of the building described above and that the information I have provided is, to the best of my knowledge, correct. I understand that falsification of factual representations in the application may be subject to legal sanctions.

Signature of Owner ______________________ Date ____________

CONNECTICUT HISTORICAL COMMISSION USE ONLY

The Connecticut Historical Commission has reviewed the Part 3 application, "Request for Certification of Completed Work," for the above-listed historic property and has determined:

- ☐ The completed rehabilitation work meets the Standards for Rehabilitation.

- ☐ The completed rehabilitation work does not meet the Standards for Rehabilitation.

  Comments attached. Tax credit reservation # ______________, issued in accordance with Public Act 99-173, is hereby cancelled.

______________________________
Authorized signature
Connecticut Historical Commission

Date ______________________

CHC Project # ______________

Appendix D

# Heritage Preservation Tax Credit

Activity Summary

From 01/01/1997 to 12/31/1997

| | Total # of Records | Proposed Expenditure | Average Expenditure | Housing Units |
|---|---|---|---|---|
| **Part II applications; Received** | | | | |
| Single Family | 18 | 1,632,083 | 90,671 | 19 |
| Commercial | 19 | 34,033,465 | 1,791,235 | 83 |
| **Part II applications; Approved** | | | | |
| Single Family | 11 | 1,003,083 | 91,189 | 13 |
| Commercial | 2 | 23,100,000 | 11,550,000 | 0 |
| **Part III application; Approved** | | | | |
| Single Family | 2 | 26,083 | 13,042 | 2 |
| Commercial | 0 | 0 | 0 | 0 |

# Heritage Preservation Tax Credit

Activity Summary

From 01/01/1998 to 12/31/1998

| | Total # of Records | Proposed Expenditure | Average Expenditure | Housing Units |
|---|---|---|---|---|
| **Part II applications; Received** | | | | |
| Single Family | 43 | 3,822,491 | 88,895 | 44 |
| Commercial | 21 | 61,850,507 | 2,945,262 | 172 |
| **Part II applications; Approved** | | | | |
| Single Family | 38 | 3,006,238 | 79,112 | 40 |
| Commercial | 3 | 1,740,000 | 580,000 | 0 |
| **Part III application; Approved** | | | | |
| Single Family | 26 | 1,203,782 | 46,299 | 31 |
| Commercial | 0 | 0 | 0 | 0 |

# Heritage Preservation Tax Credit

Activity Summary

From 01/01/1999 to 12/31/1999

| | Total # of Records | Proposed Expenditure | Average Expenditure | Housing Units |
|---|---|---|---|---|
| **Part II applications; Received** | | | | |
| Single Family | 86 | 6,058,622 | 70,449 | 88 |
| Commercial | 32 | 153,531,050 | 4,797,845 | |
| **Part II applications; Approved** | | | | |
| Single Family | 68 | 3,864,814 | 56,836 | 71 |
| Commercial | 26 | 91,668,304 | 3,525,704 | |
| **Part III application; Approved** | | | | |
| Single Family | 50 | 3,548,914 | 70,978 | 49 |
| Commercial | 9 | 47,107,942 | 5,234,216 | 115 |

# Heritage Preservation Tax Credit

Activity Summary

From 01/01/2000 to 12/31/2000

| | Total # of Records | Proposed Expenditure | Average Expenditure | Housing Units |
|---|---|---|---|---|
| **Part II applications; Received** | | | | |
| Single Family | 159 | 10,379,790 | 65,282 | |
| Commercial | 41 | 95,109,117 | 2,319,735 | 661 |
| **Part II applications; Approved** | | | | |
| Single Family | 122 | 8,267,683 | 67,768 | |
| Commercial | 29 | 97,127,911 | 3,349,238 | 719 |
| **Part III application; Approved** | | | | |
| Single Family | 79 | 6,247,622 | 79,084 | 77 |
| Commercial | 9 | 13,860,218 | 1,540,024 | 309 |

# Heritage Preservation Tax Credit

Activity Summary

From 01/01/2001 to 06/30/2001

| | Total # of Records | Proposed Expenditure | Average Expenditure | Housing Units |
|---|---|---|---|---|
| **Part II applications; Received** | | | | |
| Single Family | 97 | 4,662,279 | 48,065 | 92 |
| Commercial | 11 | 175,569,540 | 15,960,867 | 19 |
| **Part II applications; Approved** | | | | |
| Single Family | 46 | 2,288,304 | 49,746 | 44 |
| Commercial | 12 | 99,133,365 | 8,261,114 | 10 |
| **Part III application; Approved** | | | | |
| Single Family | 52 | 2,766,392 | 53,200 | 52 |
| Commercial | 9 | 6,063,271 | 673,697 | 5 |

Appendix E

**HISTORIC PRESERVATION RESIDENTIAL TAX CREDIT LOG**

| APPL. NO. | ADDRESS | DATE | EXPEND | TAX CRDT |
|---|---|---|---|---|
| **2001** | | | | |
| 01.001 | 232 Adelaide Av Prov | 4/01 | 20,999 | 4,199 |
| 01.002 | 18 James St. Prov | 4/01 | 20,643 | 4,127 |
| 01.003 | 165 Water St Warren | 5/01 | 2,110 | 422 |
| 01.004 | 99 Alumni Av Prov | 6/01 | 29,175 | 5,835 |
| 01.005 | 60 Pelham St Newp | 7/01 | 8,342 | 1,668 |
| 01.006 | 35 Rhode Island Av Newp. | 7/01 | 7,000 | 1,400 |
| 01.007 | 423 Lonsdale Av Pawt | 8/01 | 3,600 | 720 |
| **2000** | | | | |
| 00.002 | 114 Crompton Av E.Green | 8/00 | 24,540 | 2,450 |
| 00.004 | 22 Rhode Island Av Prov | 10/00 | 7,245 | 725 |
| 00.005 | 67 Stimson Av Prov | 11/00 | 16,489 | 1,649 |
| 00.006 | 106 Prospect Prov | 11/00 | 19,180 | 1,918 |
| 00.007 | 17 Oriole Av Prov | 11/00 | 19,675 | 1,967 |
| 00.008 | 3 Howe St/Bristol | 11/00 | 6,591 | 442 |
| 00.009 | 25 Capwell Av Pawt | 11/00 | 4,100 | 410 |
| 00.010 | 2 George St Prov | 11/00 | 19,300 | 1,806 |
| 00.011 | 89 Halsey St Prov. | 11/00 | 3,500 | 350 |
| 00.012 | 244 Hope St Bristol | 12/00 | 14,210 | 1,421 |
| 00.013 | 143 Main St N.Kings | 12/00 | 17,395 | 1,739 |
| 00.014 | 17 Marion St E.Green | 12/00 | 6,886 | 689 |
| 00.015 | 420 Benefit St Prov | 12/00 | 9,674 | 967 |
| 00.016 | 149 Benefit St Prov | 12/00 | 10,480 | 1,048 |
| 00.017 | 27 Byfield St. Prov | 12/00 | 9,006 | 901 |
| 00.018 | 101 Congdon St. Prov | 12/00 | 15,910 | 1,591 |
| 00.019 | 999 Frenchtown Rd E.Green | 1/01 | 2,995 | 300 |
| 00.020 | 46 Sheldon St Prov. | 1/01 | 11,944 | 1,194 |
| 00.021 | 51 Barnes St Prov | 1/01 | 7,918 | 792 |
| 00.022 | 157 Olney St N.Prov. | 1/01 | 8,140 | 814 |
| 00.023 | 310 Olney St Prov. | 1/01 | 30,786 | 3,079 |
| 00.024 | 25 Barberry Hl Prov | 1/01 | 4,500 | 450 |
| 00.026 | 321 Taber Av/Prov | 2/01 | 6,108 | 611 |
| 00.027 | 7 Cushing St Prov | 2/01 | 6,458 | 646 |
| 00.028 | 194 Spring St/E.Green | 3/01 | 49,859 | 4,986 |
| 00.029 | 145 Meeting St Prov | 3/01 | 14,609 | 1,461 |
| 00.030 | 185 Brown St Prov | 3/01 | 18,063 | 1,806 |
| 00.031 | 238 Wilbur Av Cran | 3/01 | 5,667 | 567 |
| 00.032 | 128 Mill St/New | 3/01 | 14,033 | 1,403 |

| | | | | |
|---|---|---|---|---|
| 00.033 | 27 Cushing St Prov | 3/01 | 9,350 | 935 |
| 00.034 | 295 Ten Rod Rd/N.King | 3/01 | 4,225 | 423 |
| 00.035 | 109 Williams St/Prov | 3/01 | 9,999 | 999 |
| 00.036 | 35 Benefit St/Prov | 3/01 | 46,452 | 4,645 |
| 00.037 | 97 Union St/Bristol | 3/01 | 7,038 | 352 |
| 00.038 | 207 Lexington Av/Prov | 3/01 | 10,589 | 1,059 |
| 00.040 | 34 Pratt St/Prov | 4/01 | 5,400 | 540 |
| 00.041 | 50 John St/Newport | 5/01 | 4,177 | 418 |
| 00.042 | 158 Governor/Prov | 7/01 | 12,800 | 1,280 |
| 00.043 | 36 Willett Av/E.Prov | 6/01 | 47,528 | 4,753 |
| 00.045 | 603 East Ave/Pawt | 7/01 | 5,775 | 578 |

**1999**

| | | | | |
|---|---|---|---|---|
| 99.002 | 165 Water St/Warren | 7/99 | 5,033 | 377 |
| 99.003 | 101 Keene St/Prov | 9/99 | 7,350 | 735 |
| 99.004 | 662 Angel Prov/Prov | 10/99 | 40,284 | 4,028 |
| 99.005 | 311 Taber Av/Prov. | 11/99 | 9,855 | 985 |
| 99.006 | 18 Searle Av/Cran. | 11/99 | 5,510 | 551 |
| 99.007 | 85 Main St/N.Kings. | 11/99 | 7,586 | 759 |
| 99.008 | 23 Summer St/ Bristol | 11/99 | 9,253 | 925 |
| 99.009 | 750 Emgrove Av/Prov. | 11/99 | 46,869 | 4,687 |
| 99.010 | 28 Division St/E.Green | 11/99 | 5,500 | 550 |
| 99.011 | 14 Union St/Bristol | 11/99 | 12,179 | 1,218 |
| 99.012 | 18 Arnold St/Prov | 11/99 | 13,080 | 1,308 |
| 99.013 | 258 Olney St/Prov | 11/99 | 6,358 | 639 |
| 99.014 | 282 Benefit St/Prov | 11/99 | 4,212 | 421 |
| 99.015 | 67 Bridge St/Newport | 11/99 | 21,482 | 2,148 |
| 99.016 | 86 John St/Newp | 12/99 | 5,579 | 558 |
| 99.017 | 101 Prospect/Prov | 12/99 | 16,624 | 1,662 |
| 99.018 | 59 East Orchard Av/Prov | 12/99 | 5,583 | 558 |
| 99.020 | 642 Angell St./Prov. | 12/99 | 58,018 | 5,802 |
| 99.021 | 254 Irving Av/Prov | 1/00 | 7,261 | 726 |
| 99.022 | 64 E.Orchard Av/Prov | 1/00 | 13,776 | 1,378 |
| 99.023 | 15 Diman Pl./Prov | 1/00 | 7,000 | 700 |
| 99.024 | 27 Byfield St./Bristol | '00 | 4,000 | 400 |
| 99.025 | 489 Wayland Av/Prov | 1/00 | 9,964 | 996 |
| 99.027 | 90 Keene St/Prov. | 1/00 | 23,820 | 2,382 |
| 99.028 | 158 Woodward Rd./Prov | 2/00 | 5,500 | 550 |
| 99.029 | 26R Benefit St/Prov | 2/00 | 6,900 | 690 |
| 99.030 | 630 ElmgroveAv/Prov | 2/00 | 12,821 | 1,282 |
| 99.032 | 18James St./Prov | 2/00 | 23,600 | 2,360 |
| 99.033 | 149 Prospect/Prov | 2/00 | 2,739 | 273 |
| 99.034 | 4451 Post Rd/Warwick | 2/00 | 11,835 | 1,184 |
| 99.035 | 225 Adelaide Av/Prov | 2/00 | 5,080 | 508 |
| 99.036 | 78 High St/Bristol | 2/00 | 10,140 | 1,014 |

| | | | | |
|---|---|---|---|---|
| 99.037 | 58 Dexter St/Prov | 2/00 | 45,195 | 4,520 |
| 99.038 | 27 Williams/Prov | 2/00 | 3,115 | 312 |
| 99.040 | 27 Princeton Av/Prov | 2/00 | 12,599 | 839 |
| 99.041 | 97 Rhode Island Av/Newp | 2/00 | 13,340 | 1,334 |
| 99.042 | Boston Neck Rd/N.Kings | 2/00 | 15,714 | 786 |
| 99.044 | 1037 Tillinghast Rd/E.Green | 2/00 | 4,304 | 430 |
| 99.045 | 63 Manning Street/Prov | 2/00 | 6,439 | 644 |
| 99.046 | 18 White Street/Newport | 3/00 | 12,309 | 1,231 |
| 99.047 | 303 Doyle Av/Prov | 3/00 | 25,469 | 2,547 |
| 99.048 | 185 Brown St/Prov | 3/00 | 19,330 | 1,933 |
| 99.049 | 20 Spring Garden/Warwick | 3/00 | 17,900 | 1,790 |
| 99.050 | 11 Halsey St/Prov | 3/00 | 7,260 | 726 |
| 99.051 | 44 Maynard St/Pawtucket | 3/00 | 5,350 | 535 |
| 99.052 | 48 Benefit St/Prov | 4/00 | 15,669 | 1567 |
| 99.053 | 31 John St/Prov | 3/00 | 21,586 | 2,159 |
| 99.054 | 15 Sherman St/Newp | 6/00 | 41,744 | 4,174 |
| 99.055 | 32 Willow Prov/Prov. | 4/00 | 4,700 | 470 |
| 99.056 | 29 John St/Newp | 4/00 | 7,463 | 727 |
| 99.057 | 15 Taylor St/Narr | 4/00 | 8,054 | 805 |
| 99.059 | 36 Willett Av/ E.Prov. | 5/00 | 5,990 | 599 |
| 99.060 | 2403 Post Rd/So Kingtown | 5/00 | 4,500 | 450 |
| 99.061 | 143 Main St/N.Kingstown | 5/00 | 3,189 | 319 |
| 99.062 | 60 Pelham St/Newport | 7/00 | 9,948 | 995 |
| 99.063 | 166 Prospect St/Prov | 8/00 | 22,088 | 2,208 |

**1998**

| | | | | |
|---|---|---|---|---|
| 98.001 | 73 Thames/Newport | 7/98 | 39,051 | 3,905 |
| 98.002 | 92 Williams/Prov. | 8/98 | 9,510 | 951 |
| 98.003 | 2414 Hackney Hl/Cov. | 10/98 | 11,470 | 1,147 |
| 98.004 | 14 Blackstone Blvd/Prov. | 12/98 | 8,505 | 850 |
| 98.005 | 225 Adelaide Av/Prov. | 12/98 | 9,234 | 923 |
| 98.006 | 6 Cooke St/Providence | 12/98 | 17,194 | 1,719 |
| 98.007 | 106 Bradford St/Bristol | 12/98 | 12,646 | 1,265 |
| 98.008 | 630 Elmgrove Av/Prov | 12/98 | 46,298 | 4,630 |
| 98.009 | 88 Williams/Prov. | 1/99 | 7,889 | 789 |
| 98.010 | 30 State St/Warren | 1/99 | 18,366 | 459 |
| 98.011 | 3 Nisbet St/ Prov | 1/99 | 14,000 | 1,400 |
| 98.012 | 127 Lloyd Av/ Prov | 2/99 | 4,740 | 474 |
| 98.014 | 97 Transit St/Prov | 3/99 | 12,508 | 1,251 |
| 98.015 | 64 East Orchard Av/Prov | 2/99 | 16,605 | 1,660 |
| 98.016 | 15 Milk St./Bristol | 2/99 | 8,450 | 845 |
| 98.017 | 97 Union St./Bristol | 3/99 | 3,433 | 172 |
| 98.020 | 145 Meeting St/Prov. | 3/99 | 12,205 | 1,220 |
| 98.021 | 91 Williams/Prov. | 3/99 | 8,000 | 800 |

| | | | | |
|---|---|---|---|---|
| 98.022 | 29 John St/ Newport | 3/99 | 3,362 | 327 |
| 98.023 | 149 Prospect St./Prov. | 3/99 | 9,800 | 980 |
| 98.024 | 232 Adelaide Av./Prov | 3/99 | 17,109 | 684 |
| 98.025 | 107 Halsey St/Prov | 3/99 | 4,000 | 288 |
| 98.026 | 77 America St/Prov. | 4/99 | 5,500 | 550 |
| 98.027 | 44 Benefit St/Prov. | 4/99 | 4,050 | 202 |
| 98.028 | 274 Olney St./Prov. | 4/99 | 16,400 | 1,640 |
| 98.029 | 425 Benefit St/Prov. | 4/99 | 4,240 | 424 |
| 98.030 | 116 Barb's Hill Rd/Greene | 4/99 | 5,479 | 548 |
| 98.031 | 60 Pelham St/Newport | 6/99 | 4,040 | 404 |
| 98.032 | 132 Benefit St./Prov | 6/99 | 7,052 | 705 |
| 98.033 | 999 Frenchtown Rd/E. Green | 6/99 | 31,861 | 3,186 |
| 98.035 | 3591 Pawtucket Av./E.Prov. | 7/99 | 3,650 | 324 |
| 98.036 | 62 Bayside Av/ Warwick | 9/99 | 7,725 | 773 |
| 98.037 | 73 Maynard St/Pawt. | 9/99 | 5,020 | 502 |
| 98.039 | 73 Transit St/Prov. | 10/99 | 8,563 | 856 |
| 98.040 | 38 West St./E.Green | 10/99 | 8,500 | 850 |

**1997**

| | | | | |
|---|---|---|---|---|
| 97.001 | 103 Parade/Prov. | 4/97 | 12,115 | 403 |
| 97.002 | 118 Williams /Prov. | 11/97 | 7,462 | 643 |
| 97.003 | 332 Olney/Prov. | 11/97 | 27,571 | 2,757 |
| 97.004 | 56 Marion/E.Green. | 12/97 | 6,150 | 615 |
| 97.005 | 84-86 John/Newport | 12/97 | 7,663 | 500 |
| 97.006 | 306 Olney/Prov. | 12/97 | 13,978 | 1,398 |
| 97.007 | 112 Sayles Hl Rd/No.Smith. | 1/98 | 66,009 | 6,600 |
| 97.008 | 17-19 Creighton/Prov. | 2/98 | 16,058 | 594 |
| 97.009 | 196 West Main/Wickford | 2/98 | 2,995 | 299 |
| 97.010 | 8 Sheldon/Prov. | 2/98 | 30,899 | 3,089 |
| 97.011 | 115-117 Touro/Newport | 2/98 | 13,066 | 871 |
| 97.012 | 18 Cooke/Prov. | 2/98 | 6,100 | 817 |
| 97.013 | 1 Elm St/Newp | 3/98 | 8,175 | 817 |
| 97.014 | 38 Barnes/Prov. | 3/98 | 6,200 | 620 |
| 97.015 | 73 Wilson Ave/Cranston | 3/98 | 5,311 | 531 |
| 97.016 | 38 Upton Ave/Prov. | 3/98 | 17,650 | 1,765 |
| 97.017 | 999 Frenchtwn Rd/E.Green. | 3/98 | 42,022 | 4,202 |
| 97.018 | 60 Pelham/Newport | 4/98 | 4,137 | 413 |
| 97.019 | 495 Main St/Hopkinton | 10/98 | 19,608 | 1,961 |
| 97.021 | 3591 Pawtucket Av/E.Prov. | 7/99 | 2,340 | 234 |

**1996**

| | | | | |
|---|---|---|---|---|
| 96.001 | 20 Diman Pl/Prov. | 4/96 | 2,923 | 292 |
| 96.002 | 2414 Harkney Hl Rd/Cov | 5/96 | 4,800 | 480 |
| 96.003 | 26 John/Prov. | 11/96 | 6,650 | 665 |
| 96.004 | 141 Williams/Prov. | 12/96 | 11,342 | 756 |
| 96.006 | 15 Harwich Rd/Prov. | 12/96 | 9,975 | 997 |
| 96.007 | 27 Tucker/Cranston | 12/96 | 5,735 | 573 |
| 96.008 | 1265 Victory Hgwy/Oaklnd | 12/96 | 14,690 | 1,469 |
| 96.010 | 19 Almy/Prov. | 1/97 | 5,500 | 368 |
| 96.012 | 118 Williams/Prov. | 2/97 | 3,390 | 247 |
| 96.013 | 1037 Tilinghast/E.Green. | 2/97 | 3,802 | 380 |
| 96.014 | 10 Green/No.Smithfield | 3/97 | 10,212 | 1,021 |
| 96.015 | 7 Ferry Rd./Bristol | 3/97 | 18,802 | 1,880 |
| 96.016 | 45 Halsey/ Providence | 3/97 | 12,732 | 424 |
| 96.017 | 23 Summer/Bristol | 3/97 | 15,397 | 1,539 |
| 96.018 | 60 Pelham/Newport | 4/97 | 8,242 | 824 |
| 96.019 | 25-29 School/Newport | 4/97 | 5,465 | 546 |
| 96.020 | 89 Fair/Warwick | 4/98 | 4,144 | 414 |
| 96.021 | 16 Mt Vernon/Newport | 5/98 | 6,025 | 602 |
| 96.022 | 114 FreemanPkwy/Prov. | 6/99 | 15,857 | 1,586 |

**1995**

| | | | | |
|---|---|---|---|---|
| 95.002 | 162 Freeman Pkwy/Prov. | 7/95 | 4,800 | 480 |
| 95.003 | 35 Upton Ave/Prov. | 8/95 | 11,250 | 1,125 |
| 95.004 | 23 Silk Lane/No.Scituate | 9/95 | 41,362 | 4,136 |
| 95.005 | 231 George/Prov. | 9/95 | 4,948 | 495 |
| 95.006 | 309 Doyle Ave/Prov. | 9/95 | 8,845 | 885 |
| 95.007 | 146 Main/No.Kingstown | 9/95 | 8,900 | 890 |
| 95.008 | 59 Freeman Pkwy/Prov. | 10/95 | 12,473 | 1,173 |
| 95.009 | 11 Halsey/Prov. | 11/95 | 3,460 | 346 |
| 95.011 | 87 Upton Ave/Prov. | 12/95 | 25,728 | 2,573 |
| 95.012 | 36 Stimson Ave/Prov. | 12/95 | 12,030 | 1,203 |
| 95.013 | 56 Marion/Prov. | 1/96 | 3,800 | 380 |
| 95.014 | 97 Laurel Ave/Prov. | 1/96 | 11,913 | 596 |
| 95.015 | 17-19 Creighton/Prov. | 1/96 | 13,628 | 1,362 |
| 95.016 | 38 Church/Wickford | 1/96 | 12,000 | 1,200 |
| 95.017 | 102 Lloyd Ave/Prov. | 2/96 | 19,248 | 1,924 |
| 95.018 | 710 Plainfield Pk/Scituate | 2/96 | 7,515 | 751 |
| 95.019 | 60 Pelham/Newport | 2/96 | 7,363 | 736 |
| 95.020 | 29 Thayer/Prov. | 3/96 | 14,011 | 1,401 |
| 95.021 | 115 Williams/Prov. | 3/96 | 2,600 | 260 |
| 95.022 | 31 Sheldon/Prov. | 3/96 | 4,879 | 488 |

| | | | | |
|---|---|---|---|---|
| 95.023 | 38 Barnes/Prov. | 3/96 | 5,700 | 570 |
| 95.024 | 91 Williams/Prov. | 3/96 | 5,372 | 177 |
| 95.025 | 45 Halsey/Prov. | 3/96 | 6,890 | 689 |
| 95.026 | 20 Diman Pl./Prov. | 4/96 | 5,600 | 560 |
| 95.027 | 18 Cooke/Prov. | 4/96 | 7,600 | 760 |
| 95.028 | 43 Benefit/Prov | 4/96 | 6,779 | 678 |
| 95.031 | 135 Benefit/Prov. | 5/96 | 11,758 | 1,176 |
| 95.032 | 40 No.Court/Prov. | 6/96 | 3,750 | 375 |
| 95.033 | 3 Hidden/Prov. | 7/96 | 11,649 | 1,165 |
| 95.034 | 46 Sheldon/Prov. | 7/96 | 11,138 | 1,114 |
| 95.035 | 61 Elam/Prov. | 8/96 | 7,880 | 525 |

**1994**

| | | | | |
|---|---|---|---|---|
| 94.001 | 186 Lexington Ave/Prov. | 1/94 | 10,783 | 1,078 |
| 94.002 | 40 Central/Narragansett | 1/94 | 46,812 | 4,681 |
| 94.003 | 79 Bayside Ave. Warwick | 2/94 | 7,900 | 790 |
| 94.004 | 25 School/Newport | 3/94 | 3,262 | 326 |
| 94.005 | 1027 LowerRiverRd/Lincoln | 3/94 | 2,068 | 207 |
| 94.006 | 30 St John/Prov. | 3/94 | 6,929 | 693 |
| 94.007 | 710 PlainfieldPike/Scituate | 3/94 | 16,740 | 1,674 |
| 94.008 | 84 Melrose/Prov. | 4/94 | 5,142 | 514 |
| 94.009 | 9 Bicknell Ave/E.Greenwich | 4/94 | 17,750 | 1,775 |
| 94.010 | 185 Brown/Prov. | 5/94 | 6,525 | 653 |
| 94.012 | 112 Prospect/Prov. | 7/94 | 9,506 | 951 |
| 94.013 | 18 George/Prov. | 8/94 | 6,790 | 679 |
| 94.014 | 166 DanielsonPk/No.Scituate | 11/94 | 5,400 | 540 |
| 94.015 | 146 Main/No.Kingstown | 11/94 | 5,015 | 502 |
| 94.016 | 36 Sheldon/Prov. | 12/94 | 4,074 | 203 |
| 94.017 | 67 Bridge/Newport | 1/95 | 24,123 | 2,412 |
| 94.018 | 162 Meeting/Prov. | 2/95 | 21,000 | 2,100 |
| 94.020 | 185 Brown Ave/Prov. | 2/95 | 3,920 | 392 |
| 94.021 | 38 Church Lane/Wickford | 2/95 | 5,299 | 529 |
| 94.022 | 416 Eaton/Prov. | 3/95 | 43,341 | 4,334 |
| 94.023 | 38 Barnes/Prov. | 3/95 | 5,222 | 522 |
| 94.024 | 54 Poplar/Newport | 3/95 | 11,980 | 1,198 |
| 94.025 | 166 Main/Wickford | 4/95 | 5,899 | 590 |
| 94.026 | 151 Main/Wickford | 4/95 | 3,239 | 324 |
| 94.027 | 68 Keene/Prov. | 4/95 | 4,420 | 442 |
| 94.028 | 70 Stimson Ave. Prov. | 4/95 | 24,035 | 2,404 |
| 94.029 | 113 Williams/Prov. | 5/95 | 7,400 | 740 |
| 94.030 | 86 John/Newport | 8/95 | 7,247 | 725 |
| 94.031 | 317 Rochambeau Ave/Prov. | 4/95 | 5,381 | 538 |
| 94.033 | 22 Arnold/Prov. | 8/95 | 3,405 | 341 |

| | | | | |
|---|---|---|---|---|
| 94.034 | 88 King/E.Greenwich | 9.95 | 10,335 | 1,034 |
| 94.035 | 19 Barnes/Providence | 11.95 | 8,177 | 409 |
| 94.036 | 40 Central/Narragansett | 4.96 | 29,576 | 2,958 |
| 94.037 | 158 Doyle Ave/Prov. | 9.96 | 3,111 | 207 |

# NORTH CAROLINA GENERAL ASSEMBLY

## LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 323 (Second Edition)

SHORT TITLE: Historic Rehabilitation Tax Credits

SPONSOR(S): Senator Horton, et al

FISCAL IMPACT

Yes (X) No ( ) No Estimate Available ( )

FY 1997-98 FY 1998-99 FY 1999-00 FY 2000-01 FY 2001-02

| | FY 1997-98 | FY 1998-99 | FY 1999-00 | FY 2000-01 | FY 2001-02 |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| General Fund (G.F.) | | | | | |
| Income Producing Credit | - | 25,000 | (775,000) | (1,775,000) | (2,875,000) |
| Non-Income Producing Credit | - | (81,600) | (201,600) | (403,200) | (724,800) |
| Total Historic Credits | | ($56,600) | ($976,600) | ($2,178,200) | ($3,599,800) |
| EXPENDITURES | | | | | |
| General Fund (G.F.) | | | | | |
| Dept. of Cultural Resources | $54,344 | $212,298 | $201,226 | $208,431 | $215,924 |
| NET G.F. IMPACT | ($54,344) | ($268,898) | ($1,177,826) | ($2,386,631) | ($3,815,724) |
| POSITIONS: | 1 | 5 | 5 | 5 | 5 |

PRINCIPAL DEPARTMENT(S) &

PROGRAM(S) AFFECTED: Department of Cultural Resources/ State Historic Preservation Office

EFFECTIVE DATE: Effective for taxable years beginning on or after January 1, 1998.

BILL SUMMARY: The 1993 General Assembly provided investors with a 5% corporate and individual income tax credit for rehabilitating historic structures (GS 105-130.42 & GS 105-151.23).

The state credit piggybacks on the 20% Federal Rehabilitation Investment Tax Credit. To be eligible for the credit, the building must be income-producing, the rehabilitation must be substantial, and the rehab costs must be incurred within 24 months. The bill increases the individual and corporate income tax credits from 5% to 20% for income producing properties. The bill creates a new 30% credit for non-income producing historic structures. To earn this credit, the expenditures on a non-income producing project must exceed $25,000 over a 24 month period.

ASSUMPTIONS AND METHODOLOGY: North Carolina has 2,000 listings of historic buildings, structures, sites, objects, and districts on the National Register of Historic Places. However, of the approximately 35,000 structures represented by the listings, only 6% are income producing and eligible for the existing federal and state credit. Since the credit became available in tax year 1994, the North Carolina State Historic Preservation Office reported the following building activity to the National Park Service:

| Year | Projects | Rehab Costs | 5% Credit |
|---|---|---|---|
| 1994 | 26 | $ 9,608,766 | $ 480,438 |
| 1995 | 34 | 13,769,094 | 688,455 |
| 1996 | 32 | 22,102,493 | 1,105,125 |

SB 323 will expand the state historic rehab tax credit by :

1. Increasing the income producing credit value to 20%,
2. Establishing a 30% credit for owner-occupied residences (non-income producing) and,
3. Lengthening the time to take the credit from 1 year to 5 years.

In the last seven years, the average number of income producing projects earning the federal credit each year was 29. The average project cost for the state 5% credit in the last three years was $500,000 per project. The NC State Historic Preservation Office (SHPO) anticipates the new tax credit will be attractive to taxpayers and thus the number of renovation projects will grow. SHPO estimates the number of projects and the total project amounts (using $500,000 per project) will be as follows:

| | | |
|---|---|---|
| 1998 | 35 | $17,500,000 |
| 1999 | 40 | 20,000,000 |
| 2000 | 50 | 25,000,000 |
| 2001 | 55 | 27,500,000 |
| 2002 | 60 | 30,000,000 |

Although new to North Carolina, a rehabilitation tax credit for homeowners or non-income producing projects has been available to citizens of Colorado, Maryland, New Mexico, Rhode Island, Utah, and Wisconsin. The State Historical Society of Wisconsin reports a 50 to 75% growth rate over the last four years of its program. SHPO believes this tax credit will also prove to be popular in North Carolina as reflected in their numbers below. The numbers below show

completed projects and total project cost each year (based on $40,000 per project). However, these numbers are 1/3 lower than original projections because the expenditure threshold was raised from $10,000 to $25,000.

| | | |
|---|---|---|
| 1998 | 34 | $1,360,000 |
| 1999 | 50 | 2,000,000 |
| 2000 | 84 | 3,360,000 |
| 2001 | 134 | 5,360,000 |
| 2002 | 184 | 7,360,000 |

Using the SHPO estimates, a chart below was produced to cost out the rehabilitation tax credit. For income producing projects, the total project amount for each year shown on page two is multiplied by 20% then allocated over a five year period. For example, in 1998-99 it is estimated that 35 projects valued at $17.5 million will qualify for the credit. By multiplying the $17.5 million by the 20% credit you get $3.5 million. When this $3.5 million credit is allocated over five years, the revenue loss is $700,000 per year. Similarly, for non-income producing projects, the total project amount for each year on page two is multiplied by 30% then allocated over a five year period. It is assumed that the credits will be taken on the annual tax return and not be subtracted from the estimated payments to the State Department of Revenue. In the first year of the credit, it is assumed that taxpayers will submit their paperwork to the SHPO in 1997 in order to get their projects underway and completed in tax year 1998. The current 5% tax credit is kept at a flat rate based on 29 projects and $500,000 per project. The current tax credit must be subtracted from the proposed credit to get the net impact to the General Fund.

## I. Income Producing Projects

| | FY 97-98 | FY 98-99 | FY 99-00 | FY 00-01 | FY 01-02 | |
|---|---|---|---|---|---|---|
| Tax Year | | | | | | |
| 1998 | | (700,000) | (700,000) | (700,000) | (700,000) | |
| 1999 | | | (800,000) | (800,000) | (800,000) | |
| 2000 | | | | (1,000,000) | (1,000,000) | |
| 2001 | | | | | (1,100,000) | |
| 2002 | | | | | | |
| **Total** | - | **(700,000)** | **(1,500,000)** | **(2,500,000)** | **(3,600,000)** | |
| Current 5% Credit | 725,000 | 725,000 | 725,000 | 725,000 | | |
| Net Change in Credit | | 25,000 | (775,000) | (1,775,000) | (2,875,000) | |

## II. Non-Income Producing Projects

| | FY 97-98 | FY 98-99 | FY 99-00 | FY 00-01 | FY 01-02 |
|---|---|---|---|---|---|
| Tax Year | | | | | |
| 1998 | | (81,600) | (81,600) | (81,600) | (81,600) |
| 1999 | | | (120,000) | (120,000) | (120,000) |
| 2000 | | | | (201,600) | (201,600) |
| 2001 | | | | | (321,600) |
| 2002 | | | | | |
| Total | - | **(81,600)** | **(201,600)** | **(403,200)** | **(724,800)** |

Historic Credit Administrative Expense

The State Historic Preservation Office (SHPO) has stated to the Fiscal Research Division that it will need additional personnel to handle the proposed historic rehabilitation tax credit program. In FY 97-98, the Department requests a Facility Architect I to handle the increase in application reviews and technical consultations. Salary and fringes for this position are $36,744 with an additional $4,500 for furniture and equipment (one time expense) and $2,000 for travel. The request also includes $11,100 each year for printing tax credit guidelines ($1,500), for travel and telephone expenses in providing technical services to applicants ($3,500), for postage and supplies ($2,100), and for the appeals process for denied projects ($4,000).

In FY 98-99, the Department requests a Historic Preservation / Survey Specialist I to function as a National Register Reviewer for the increase in Register nominations. Salary, fringes and expenses for this position total $40,426 minus $4,500 in one time cost of furniture and equipment. Also in FY 98-99, three Historic Preservation/ Restoration Specialist I's will be needed in the regional offices in Asheville , Greenville, and Raleigh. These specialists will provide rehabilitation

technical services and do preliminary reviews of applications. The salary, fringes and expenses for these positions also equals $40,426 each.

For estimating purposes, the salaries and fringes are increased 4% each year to project future year cost. All administrative expenses are kept constant.

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: Richard Bostic

APPROVED BY: Tom CovingtonTomC

DATE: April 17, 1997

THE RECENT STATISTICAL IMPACT OF
THE REHABILITATION INVESTMENT TAX CREDIT PROGRAMS*
ON HISTORIC STRUCTURES IN NORTH CAROLINA

| | | | |
|---|---|---|---|
| **Income-Producing Tax Credit Projects Reviewed 2000** | | | |
| Proposed Rehab Projects (Part 2s): | 75 | Proposed Rehab Expenditures: | $124,385,637 |
| Completed Rehab Projects (Part 3s): | 44 | Completed Rehab Expenditures: | $39,385,678 |
| **Income-Producing Tax Credit Projects Reviewed 1999** | | | |
| Proposed Rehab Projects (Part 2s): | 73 | Proposed Rehab Expenditures: | $56,284,274 |
| Completed Rehab Projects (Part 3s): | 36 | Completed Rehab Expenditures: | $25,187,152 |
| **Income-Producing Tax Credit Projects Reviewed 1998** | | | |
| Proposed Rehab Projects (Part 2s): | 67 | Proposed Rehab Expenditures: | $84,625,522 |
| Completed Rehab Projects (Part 3s): | 27 | Completed Rehab Expenditures: | $6,748,550 |
| **Income-Producing Tax Credit Projects Reviewed 1997** | | | |
| Proposed Rehab Projects (Part 2s): | 30 | Proposed Rehab Expenditures: | $14,434,354 |
| Completed Rehab Projects (Part 3s): | 23 | Completed Rehab Expenditures: | $6,062,428 |

| | | | |
|---|---|---|---|
| **Non-Income-Producing Tax Credit Projects Reviewed 2000** | | | |
| Proposed Rehab Projects (Part As): | 114 | Proposed Rehab Expenditures: | $18,355,618 |
| Completed Rehab Projects (Part Bs): | 41 | Completed Rehab Expenditures: | $5,408,316 |
| **Non-Income-Producing Tax Credit Projects Reviewed 1999** | | | |
| Proposed Rehab Projects (Part As): | 123 | Proposed Rehab Expenditures: | $12,011,056 |
| Completed Rehab Projects (Part Bs): | 26 | Completed Rehab Expenditures: | $2,353,961 |
| **Non-Income-Producing Tax Credit Projects Reviewed 1998** | | | |
| Proposed Rehab Projects (Part As): | 134 | Proposed Rehab Expenditures: | $9,985,249 |
| Completed Rehab Projects (Part Bs): | 3 | Completed Rehab Expenditures: | $393,849 |

* The state tax credit program for nonincome-producing structures began on January 1, 1998.
The state tax credit for income-producing structures increased from 5% to 20% effective January 1, 1998.

LH, Restoration Branch
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12/31/00